

# U.S. Country Commercial Guides



## Bosnia and Herzegovina 2020

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## Doing Business in Bosnia and Herzegovina

### Market Overview

Bosnia and Herzegovina (BiH) is a transitional economy with a declining population of approximately 3.5 million. In 2019 BiH GDP grew by 3 percent and per capita GDP was \$5,740 with total nominal GDP approximately \$20.05 billion according to the World Bank. Before the COVID19 pandemic, BiH's economy was expected to grow in 2020 by 3.6 % and reach 4% growth in 2021. The World Bank said it expects BiH's GDP to decrease by 3.2% in 2020 but to rebound by 4.6% percent in 2021, assuming that consumer and business confidence are restored as the impact of COVID-19 fades, and that political instability remains in check. Economy growth in BiH is primarily driven by consumption and to some extent by public investment.

BiH has been a potential candidate country for European Union (EU) accession since 2003. Although BiH's progress towards EU accession has been slow, the country's Stabilization and Association Agreement (SAA) entered into force on June 1, 2015. BiH submitted its formal application for EU membership on February 15, 2016. In early 2019 the Government of BiH completed the European Commission's (EC) Questionnaire and the EC officially released its Opinion on May 29th, 2019 identifying fourteen recommendations for BiH before it can be granted candidate status. BiH is also pursuing World Trade Organization membership and hopes to join that organization in the near future.

BiH consists of two entities: The Federation of BiH (the Federation) and the Republika Srpska (RS). A third, smaller area, the Brčko District, operates under a separate administration. The Federation is further divided into ten cantons, each with its own government and responsibilities. Both entities and the Brčko District are also comprised of municipalities. As a result, BiH has a multi-tiered legal and regulatory framework that is often duplicative and contradictory and creates opportunities for corruption. BiH struggles to attract foreign investment Due to complex labor and pension laws, the lack of a single economic space, and inadequate judicial and regulatory protections that deter foreign direct investment. According to the BiH Central Bank, foreign direct investment (FDI) in BiH in the first nine months of 2019 amounted to \$505 million. FDI in 2018 amounted to \$458 million. The all-time high for FDI was \$2.1 billion in 2007. Most investments in 2013-2019 came from Croatia, Austria, Russia, Serbia, The Netherlands, UAE, and the United Kingdom.

BiH imports almost twice as much as it exports: 2019 imports totaled \$11.2 billion with exports of \$6.5 billion. The country is able to finance this trade deficit through extensive remittances from the 2 million-strong BiH Diaspora living outside the country. In 2019, U.S. exports to BiH increased by 3.6 percent, from \$380.5 million in 2018 to \$394 million in 2019. U.S. products and services held a 3.4 percent share of total BiH imports in 2019. U.S. exports to BiH are primarily in the areas of agricultural products, machinery and transport equipment, mineral fuels, and raw materials for industrial processing. Primary BiH exports to the United States are leather products, apparel manufacturing products, furniture and fixtures, and petroleum and coal products. BiH exports to the United States in 2019 totaled \$30.5 million.

BiH operates a currency board arrangement by which the Bosnian Convertible Mark (KM) is pegged to the euro (One Euro = KM 1.958). As a result, the Convertible Mark is one of the most stable currencies in Southeast Europe.

U.S. companies in BiH include major multinational companies and market leaders in their respective sectors, such as Coca-Cola, Microsoft, Cisco, Oracle, Pfizer, McDonalds, Marriott, NCR, Caterpillar, Johnson&Johnson, FedEx, UPS, Philip Morris, KPMG, Price WaterHouse Coopers and others.

U.S. investment in BiH is low due to the small market size, relatively low-income levels, distance from the United States, challenging business climate, and the lack of investment opportunities. Most U.S. companies in BiH are

represented by small sales offices that are concentrated on selling U.S. goods and services, with minimal longer-term investments in BiH.

## **Market Challenges**

The lack of a single economic space in BiH affects companies trying to do business across the entire country. The country's political environment and complex government structure creates significant obstacles to economic development.

According to the World Bank (WB), BiH is among the least competitive economies in Southeast Europe. It currently ranks 90 out of 190 global economies in the WB's 2020 Doing Business Report. The WB report ranks BiH particularly low for its lengthy and arduous processes to start a new business and obtain construction permits, both issues which have impacted American companies. BiH's poor investment climate, endemic corruption, complex legal and regulatory frameworks and government structures, non-transparent business procedures, insufficient protection of property rights, and a weak judicial system have resulted in stagnant foreign direct investment inflow over the past five years.

Historically, U.S. investment in BiH has been low due to the small market size, relatively low-income levels, distance from the United States, challenging business climate, and the lack of investment opportunities.

Government and public procurement tenders have been criticized for a lack of openness and transparency.

Dispute resolution is also challenging as the judicial system moves slowly, often does not adhere to existing deadlines, and provides no recourse if the company in question re-registers under a different name. Arbitration and mediation of commercial disputes is infrequently used.

## **Market Opportunities**

BiH offers opportunities to well-prepared and persistent exporters and investors. In 2019, the United States exported \$394 million in goods to BiH. Companies who have managed to overcome the challenges of establishing a presence in BiH have often made a return on their investment over time. A major U.S. investment fund was able to enter the market with a regional investment in 2014 and exit its majority position in 2019 with a good return. The country is open to foreign investment and offers a liberal trade regime. It is richly endowed with natural resources. The best opportunities are in the following sectors (discussed in detail later in the report):

- [Materials for Industrial Processing](#) to supply BiH's metal-based industrial sector.
- [Energy Generation and Transmission Equipment](#) for construction and upgrading of hydropower plants, thermal power plants, and electrical power distribution projects.
- [Telecommunications Equipment and Services](#) for the expansion of existing networks including mobile, fixed line, and broadband.
- [Transport Infrastructure Engineering and Construction Services](#) for the Corridor 5c highway construction project and upgrading of local road and railroad infrastructure.
- [Construction Equipment](#) to support commercial construction needs for infrastructure projects.
- [Medical Equipment](#) for the public health-care systems and private practices, including sophisticated diagnostic equipment.
- [Information Technology Equipment and Services](#) including computer software and IT equipment and services.
- [Agricultural Sector](#) products and services related to meat and livestock, milk and dairy, fruits and vegetables, medicinal and aromatic herbs, and fisheries.

## **Market Entry Strategy**

- It is essential to visit the country early in the market exploration phase to develop relevant industry contacts and understand BiH's multi-layered bureaucratic structure.
- New entrants to the market in established sectors will often be competing with nearby suppliers from Croatia, Serbia, and Slovenia, as well as other dominant EU member country exporters, who benefit from various trade preferences.
- For a new-to-market company, identifying a local partner is key. The selection should be based on a potential partner's knowledge of the local market and a thorough check of its reputation. Sales agents, representatives, and distributors all have important roles to play in this market. Regardless of which channel is selected, sales support and after-sales service are critical.
- Financing is a key consideration for Bosnian companies when considering whether to take on a new U.S. product line.

## Leading Sectors for U.S. Exports and Investments

### Agriculture

#### Overview

BiH has approximately 1.6 million hectares of land suitable for cultivation. Domestically, the sectors with the best available and productive natural resources are fruits and vegetables, livestock, and poultry. The most important crop is corn, followed by wheat and barley. Small, low-output family farms averaging 2-5 hectares characterize agricultural production, along with low input use (fertilizers, chemicals, and certified seeds), older crop management and post-harvest management practices, and poor railway and road infrastructure. The agricultural sector's share of GDP is approximately 8 percent, while it accounts for 20 percent of total employment. Agriculture remains mostly in private hands, but farms are small and inefficient, and the country remains a net food importer. In 2019, agri-food imports totaled \$1.9 billion, while exports were valued at \$487 million. Agricultural products only represent approximately 7.5 percent of exports, but account for 16.5 percent of total imports. Primary imported food products include beverages (alcoholic and non-alcoholic), grains, tobacco products, and meat and dairy products.

In 2019, total U.S. agricultural and fish export to BiH were valued at US\$23.3 million (1.3 percent share of BiH's total agricultural and fish imports from the world) and consisted of used animal and vegetable fats for processing, nuts, seafood, and beans. Total U.S. agricultural and fish imports from BiH were valued at US\$3.8 million in 2019. The key imports from BiH were coffee, cookies and pastry, alcohol drinks, mineral water, and processed fruits and vegetables products.

*Table 1: 2019 U.S.-BiH Bilateral Agricultural Trade*

U.S. leading agricultural exports to BiH	BiH leading agricultural exports to the U.S.
Animal and vegetable fat/oil: \$17.5 million	Coffee: \$1.4 million
Almonds: \$2.6 million	Cookies and pastry: \$0.9 million
Seafood: \$1.0 million	Alcohol drinks: \$0.4 million
Fruit concentrate: \$1.0 million	Mineral water: \$0.3 million
Beans: \$0.2 million	Processed F&V products: \$0.2 million

U.S. exports to BiH consisted primarily of oil intended for use in the chemical industry, while U.S. imports from BiH were mainly high value food products. Most U.S. origin products are shipped to BiH through neighboring countries and therefore may not appear as a U.S. origin import. Actual U.S. exports are likely considerably higher than indicated above.

Table 2: BiH Agri-Food Sector

Year	2016	2017	2018	2019	2020 (Est.)	2021 (Est.)
<b>Market Size</b>	2,453,000	2,547,000	2,801,000	2,893,000	2,920,000	2,940,000
<b>Local Production</b>	1,334,000	1,344,000	1,444,000	1,480,000	1,500,000	1,520,000
<b>Imports</b>	1,670,000	1,810,000	1,890,000	1,900,000	1,910,000	1,920,000
<b>Exports</b>	551,000	607,000	533,000	487,000	490,000	500,000
<b>Total Market Size</b>	2,453,000	2,547,000	2,801,000	2,893,000	2,920,000	2,940,000

\$ U.S. thousands (total market size = (total local production + imports) - exports)

## Opportunities

U.S. export opportunities include live animals and meat, processed and fresh fruits and vegetables, alcoholic drinks, grains, mineral water, confectionary products, feed, and animal genetic products.

In 2019, BiH's imports of live animals and meat were valued at \$245 million and primarily came from the Netherlands, Italy, Poland, and Serbia. Meanwhile, BiH's meat and live animal exports were valued at \$15 million and were destined to Montenegro, Serbia, North Macedonia, Lebanon and Turkey. BiH's meat industry has an annual capacity of 60,000 metric tons (MT), which is largely dependent on imported frozen meat for processing. BiH does not allow the import of meat that has been treated with growth promoting hormones and/or ractopamine.

In 2019, fresh and processed fruit and vegetable imports reached \$290.6 million, while exports were valued at \$132.6 million. The most frequently imported products were bananas (\$35 million) and citrus fruits (\$23.1 million), and the most important suppliers were Croatia, Greece, Turkey, and Italy.

In 2019, the value of imported confectionary products reached \$124.5 million, while the value of exported products totaled \$14 million. Imported confectionary products mainly came from, Croatia, Serbia Turkey, Germany and Poland. Although the domestic confectionary industry has improved lately in terms of quality and quantity produced, it has been adversely affected by changes in raw material prices, difficult local market conditions and strong foreign competition.

The value of imported alcoholic beverages in 2019 was \$106 million, while exports totaled only \$14 million. Beer topped the list, with imports valued at \$65.1 million mainly from Serbia, Croatia and Slovenia. BiH's beer exports were valued at a modest \$2.2 million.

BiH does not produce enough grain for its needs and is highly dependent on imports. In 2019, BiH imported 324,663 MT of wheat valued at \$69 million, mainly from Hungary, Croatia, and Serbia. In the same year, BiH imported 180,973 MT of corn valued at \$36 million. Approximately 90 percent of imported corn came from Serbia. Regarding grain exports, in 2019 BiH exported 22,760 MT of wheat valued at \$4.7 million and 90 percent was destined to Turkey under the free-trade agreement. Exports of other grains were insignificant.

In 2019, BiH spent \$97.7 million on mineral water imports and exported \$29.4 million worth of mineral water. Although BiH is among the richest countries in Europe in terms of natural resources of drinking water, BiH's market is saturated with bottled water imports, mostly from Serbia, Croatia, and Slovenia.

In 2019, imports of soybean feed preparations reached 76, 859 metric tons, valued at U.S. \$29 million, of which 96 percent came from Brazil and Argentina.



The annual market for bovine semen is estimated to be about 350,000 - 400,000 doses annually. Domestic production is approximately 150,000 doses. Bovine genetic imports come mainly from European countries (Austria, Germany, Slovenia, and Croatia). Import tariffs range from zero to ten percent for animal genetics. Market opportunities exist for U.S. exporters of premium genetic material, including embryo transfer. There is a need for genetic improvement of BiH's dairy herds to increase milk and meat production and create higher income for the rural population.

**Agricultural Biotechnology Acceptance:** Currently, the Law on Genetically Modified Organisms (GMO) sets the conditions for the limited use, importation, and deliberate release into the environment and marketing of products that are composed of GMOs, contain GMOs, or are derived from GMOs. Imports of approved genetically engineered (GE) products are permitted, if approved by the Food Safety Agency. To date, several GE feed importers have received permits for market GE soybean. A GMO-free certificate or a GMO-related statement is often required as part of the import process for grains and similar products. Products containing approved GE content above a threshold of 0.9 percent must be labeled. There currently is no policy on the import, labeling, and traceability of genetically engineered (GE) animals and clones, including animal genetics. However, as part of its EU accession aspirations, BiH's continues to harmonize its sanitary and phytosanitary requirements with EU regulations.

### **Web Resources**

The U.S. Department of Agriculture's [Foreign Agricultural Service \(FAS\)](#) provides information to buyers looking for U.S. agricultural genetics, bulk and processed commodities, food, and beverage products. FAS also gathers market information and offers market briefs to help U.S. firms better understand the local market. For more information on the U.S. Foreign Agricultural Service please visit the [U.S. Embassy Sarajevo's FAS website](#).

For more information on food import requirements and certification, please see:

[Exporter Guide](#)

[Food and Agricultural Import Regulations and Standards \(FAIRS\) Country Report](#)

[FAIRS Export Certificate Report](#)

For other FAS reports on specific commodities, please see the following websites:

[Global Agricultural Information Network](#)

## Energy Overview

Electric power generation is a key sector of economic activity in BiH. Electric power is generated in both thermal and hydro power plants, and the country is a net exporter of electrical energy. The generating capacity is about 16,000 GWh. BiH has a comparative advantage in electricity, particularly because of its natural hydropower resources. Recently, solar and wind power plants have come online but remain a small percentage of the overall energy mix at less than 2 percent. After the 1992-1995 war, the once-unified power system in BiH was divided into three vertically-integrated companies split along geographic/ethnic lines. The three state-owned electric power generation and distribution companies are: [Elektroprivreda BiH \(EPBiH\)](#), [Elektroprivreda Republike Srpske \(ERS\)](#), and [Elektroprivreda Hrvatske Zajednice Herceg Bosna \(EPHZHB\)](#). Early international assistance focused on reconstruction of the physical infrastructure that was destroyed in the war. As part of this effort, the international community spent hundreds of millions of dollars from 1996-2001 on the reconstruction of facilities and networks. International financing, particularly from the World Bank, for physical improvements continues and the U.S. Government has focused on the institutional strengthening and restructuring of the electricity market since 2001.

When BiH's energy infrastructure was constructed from 1948 to 1989, the intention was to create a diversified energy supply that covered the entire country. Therefore, the energy generation makeup of BiH as a whole is roughly 40 percent hydroelectric and 60 percent thermal (coal-fired) generation – an ideal energy mix given that BiH has abundant coal resources and multiple rivers ideal for generating hydropower. As the companies were created along ethnic/geographic lines and not for any technical reasons, there are significant generation disparities between them:

Table 3: 2019 BiH Electricity Generation Mix

Energy Type	Hydro	Thermal
EPBiH	29 percent	71 percent
EPHZHB	100 percent	0 percent
EPRS	41 percent	59 percent

Although BiH has made some significant steps towards the liberalization of the electricity market including establishment of independent regulation, market opening and competitive market processes, there remains a lot to be done in terms of organization of the internal electricity market so that it can be fully transparent and ready to join the regional electricity market. BiH has been slow to implement reforms to make the power sector more efficient, transparent, independently regulated, and free from corruption. Thus, the governments of the Federation of BiH and the RS have not fully capitalized on potential energy investment projects due to structural problems.

In the long run, the World Bank estimates that BiH's energy sector would require more than \$6 billion in investment for modernization, life extension, and new generation facilities for the power generation and coal mines sectors.

### Leading Sub-Sectors

- Desulphurization equipment/technology
- Emission control equipment and systems

- Generation equipment for hydro and thermal (coal) power plants

## **Opportunities**

BiH's electrical grid has suffered from decades of neglected maintenance and a lack of investment. The European Bank for Reconstruction and Development (EBRD) intends to give a corporate loan of up to EUR 20.1 million to Elektroprenos BiH (Transco) for the modernization and upgrading of its telecommunication system. The project should lead to improvements in cross-border trade through better management of the transmission network. The project will facilitate the purchase and installation of a new telecommunication system for the entire transmission network in BiH; the delivery and installation of backup power supplies for substations; reconstruction of data centers; and provide advisory services for the Project Implementation Unit.

In the Federation, political disagreements have thwarted attempts to initiate large power generation projects. In 2011, the Federation Government announced interest in a massive energy investment scheme, with assurances of a fully transparent selection process. Those plans are still on an indefinite hold. Some projects appear to be moving forward, albeit many remain in the preliminary phases. Chinese and Russian companies have expressed interest in power generation projects with only one completed. In 2016, the Chinese company Dongfang International Corporation completed construction of the Stanari coal-fired power plant in the RS. The project is a collaboration of the Chinese Development Bank (CDB), the energy company EFT Group, Dongfang International Corporation, and the RS government. The CDB provided EFT Group with a structured loan of \$455 million, accounting for 65 percent of the project's total estimated cost of \$715 million.

In April 2014, EPBiH chose a consortium consisting of China's Gezhouba Group and Guangdong Electric Power Design Institute for the construction of a 450 megawatt (MW) coal-fired unit known as "Tuzla 7" at its Tuzla power plant; construction costs are estimated at around \$850 million. The construction of this largest post-war investment in BiH's energy sector is expected to start in fall of 2020. General Electric is a major supplier for this project.

The RS has established cooperation with the Russian company ZiO which plans to modernize the Gacko and Ugljevik TPPs, an investment worth 200 million EUR. These projects should help extend the life span of these two power plans and boost their output. With modernization, JSC ZiO can potentially extend the plants' lives for 30 years, a necessary step in BiH since the majority of Yugoslav-era coal-fired plants will age out of their useful life in the next 10-15 years. In November 2019, the Federation energy ministry launched its first competitive round for bidding on oil and gas exploration and exploitation licenses at four blocks in the Dinaric and Pannonian basin regions. According to estimates of the geology institute of the Federation, the territory of the Dinaric Alps could potentially contain deposits of about 1 billion barrels of oil.

## **Web Resources**

[Elektroprenos BiH \(Transco\)](#)

[Elektroprivreda BiH \(EPBiH\)](#)

[Elektroprivreda Republike Srpske \(ERS\)](#)

[Elektroprivreda Hrvatske Zajednice Herceg Bosna \(EPHZHB\)](#)

## **Ground Transportation**

### **Overview**

BiH's road infrastructure is fairly poor and underdeveloped. At the time of this report's publication, BiH has 179 kilometers of usable highways (107 kilometers in the Federation and 72 kilometers in the RS). Trunk roads and regional roads, with a total length of 8,501 km, represent the country's core road network. BiH is focused on finishing Corridor Vc, the only major highway that connects north and south BiH in a single stretch. Once completed, the highway will link BiH with European road networks. The Corridor Vc project, a major road construction project that has made some progress since it was first designed, is a part of the Trans-European ground corridors network. Its final design will connect the central part of the Adriatic Sea coast and Budapest, Hungary. The Corridor Vc will run 336 kilometers in BiH from north to south. The Bosnian Government has taken out multiple loans from lenders, primarily European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB), to fund the construction of the Corridor Vc.

Corridor Vc's central objectives are BiH's inclusion into Europe's main traffic flows, as well as easier access to the European marketplace. Experts predict that the motorway will be the prime mover of economic activities in BiH and should enable connectivity to its neighboring countries and regions. Historically, advancement in this sector has been impeded by issues concerning inter-entity coordination, the absence of a coherent strategic vision, political obstructionism, and a lack of funding. The December 2017 passage of a KM 0.15 (9 cent) per liter increase in fuel excise taxes to fund road construction should ease financial constraints on building highways in BiH. Though progress is discouragingly slow, highway construction is ongoing.

### **Opportunities**

The best opportunity may lie in the two most difficult segments of the project – the 60 kilometer stretch from Doboј to Zenica (north of Sarajevo) and the 125 kilometer stretch from Tarcin to Bijaca (the southern end point). The estimated cost of construction for those two segments is approximately EUR 2 billion. Procurement of construction equipment, such as asphalt patchers, bulldozers, backhoes, cranes, excavators, and mowing equipment as well as other road construction equipment, present significant opportunities as the construction of Corridor Vc continues.

An agreement has been reached on the Sarajevo-Belgrade Highway project, planned to be built between Sarajevo and Belgrade with Turkey's support. Set to connect Sarajevo and Belgrade via two different routes, the project is reported to cost around 1.8 billion euros (around \$2.1 billion). However, debate over the highway's route is ongoing and will require continued negotiations before construction can begin.

RS Highways launched an international tender for the construction of three sections of the highway from Vukosavlje at Vc corridor, through Brčko and Bijeljina, to Rača and the border with Serbia, with a total value of KM 1.35 billion (\$813 million). The tender is divided into three lots - the section Vukosavlje - Brčko, with estimated value of KM 600 million (\$31million), the section Brčko - Bijeljina, which should cost KM 310 million (\$186.7 million), and the section Bijeljina - Rača, worth KM 440 million (\$265 million). The section Vukosavlje - Brčko is about 33 kilometers long, the section Brčko - Bijeljina 17 kilometers, and Bijeljina - Rača 20 kilometers. Successful companies or consortia to whom the contracts will be awarded will be obliged to provide at least 85% of the project funding while the RS government will provide loan guarantees.

### **Web Resources**

[BiH Ministry of Transport and Communication](#)

[Road Directorate of the Republika Srpska](#)

[Road Directorate of Federation of Bosnia and Herzegovina](#)

## **Information Technology (IT) Equipment and Services**

### **Overview**

BiH's fragmented public sector is the largest customer for IT equipment and services in BiH. It is followed by the financial sector and telecommunications sector. Retail sales are also recording growth due to the expansion of shopping malls and retail stores. While IT spending in the financial and telecommunications sectors will likely continue to grow, the largest share of prospects and opportunities will remain in the public sector due to BiH's myriad government offices and agencies. Generally, the government, private and public companies and commercial banks are highly receptive to U.S. computer technology. Local experts predict strong spending in the IT security and data protection segments in the coming years. As more customers implement integrated product solutions for security and protection, corresponding services that follow the same model are likewise in demand. The software industry is especially growing especially due to the entrepreneurial spirit of local software companies.

According to the BiH Customs Agency, in the past four years BiH imported over \$50 million of U.S. Information Technology equipment. Many major U.S. companies have established a full-time presence in the market, either directly or through an authorized network of resellers and distributors, including Cisco, Hewlett Packard, Microsoft, Oracle, IBM, Intel, and Dell.

### **Leading Sub-Sectors**

- IT services
- Hardware sales
- Software, including Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) solutions
- Broadband infrastructure

## Materials for Industrial Processing

### Overview

There is a longstanding tradition of metal processing in BiH, due to the country's abundance in natural resources such as iron ore, bauxite, lead, zinc, and copper. The metal sector is a significant export driver with robust production growth rate of over ten percent in the past few years. The main export products of the metal sector include aluminum, steel and automotive industry components. BiH's metal sector exports are primarily oriented towards the EU and Central European Free Trade Agreement (CEFTA) markets. Most metal processing companies are small companies (80 percent) while medium sized companies represent 15 percent and large companies represent five percent of companies in the metal sector.

### Leading Sub-Sectors

- Petroleum coke, petroleum bitumen and other residues of petroleum
- Stone coal
- Sodium hydroxide

### Opportunities

The existing structure of the metal sector, characterized by small companies, provides an opportunity for larger companies to integrate existing primary producers and further develop their business operations. The price of labor in the metal processing industry in BiH is competitive when compared with global market labor costs. Besides materials for industrial processing, small private companies also buy modern computerized equipment and strive to stay updated with current technologies. Many factories are engaged in semi-processing of components for foreign companies based in the EU and neighboring countries.

Top metal processing companies in BiH that present the best sales prospects for U.S. suppliers include Arcelor Mittal Zenica, TMD AI Gradačac, MLM Alutec Bugojno, Bekto-Precisa, FEAL, Tvornica Glinice Birač, Zvornik, Jelšingrad Livnica Čelika Banja Luka, and Aluminij Mostar. Procurement notices can be found on the companies' websites and the best way to access these opportunities is via some form of local presence, either direct or through agents and distributors.

### Web Resources

[BiH Foreign Trade Chamber](#)

[Ministry of Energy, Mining, and Industry of the Federation of BiH](#)

[Ministry of Industry, Energy, and Mining of the Republika Srpska](#)

[Chamber of Economy of the Federation of BiH](#)

[Chamber of Commerce and Industry of the Republika Srpska](#)

## **Medical Equipment**

### **Overview**

The majority of medical equipment suppliers in Bosnia and Herzegovina are EU-based manufacturers (primarily Germany and Italy). However, in recent years, U.S. manufacturers such as GE Medical and Medtronic have made significant headway in supplying U.S. technology in hospitals throughout the country, specifically diagnostic-imaging equipment in the clinical centers in Sarajevo, Tuzla, Banja Luka, and Mostar.

The Entity and Cantonal Institutes of Health Insurance administer healthcare systems which are funded through compulsory payroll contributions from both employers and employees. BiH's health care system is predominantly publicly funded; however, there are an increasing number of private practices. The RS also has some Private Public Partnerships (PPP) in the health care system, but the Federation still lacks a law to allow PPPs in any industry.

U.S.-manufactured medical equipment enjoys an excellent reputation in BiH for state-of-the-art technology, quality, and reliability. The medical equipment market is very price sensitive.

### **Opportunities**

The best sales prospects for U.S. medical equipment include cardiovascular diagnostic equipment, non-invasive surgical devices, anesthesia and intensive care equipment, diagnostic imaging (CTs, MRIs), radiation therapy equipment, ultrasound equipment, urology equipment, laboratory and testing equipment, and tissue and blood bank related equipment. There are also good prospects for products such as ultra-violet/infra-red equipment used in medical, surgical, dental, as well as apparatuses based on the use of X-rays of alpha, beta or gamma radiation treatments.

Opportunities also exist for U.S. manufacturers of sophisticated diagnostic equipment such as electrocardiographs, endoscopes, scanners, imaging equipment, pacemakers, digitalized x-ray equipment, nuclear medicine instruments, and clinical laboratory equipment. Diagnostic imaging equipment, especially ultrasonic diagnostic equipment, and dialysis equipment are in great demand.

### **Web Resources**

[Ministry of Health of the Federation of Bosnia and Herzegovina](#)

[Ministry of Health and Social Welfare of the Republika Srpska](#)

[BiH Agency for Medicines and Medical Devices](#)

## **Mining**

### **Overview**

The country has significant reserves of brown coal and lignite. The official estimates on total reserves of coal in BiH are around 5 billion metric tons, out of which the exploitation reserves are estimated to be around 2 billion metric tons. Reserves of iron ore deposits are estimated at 653 million metric tons; zinc and lead at 56 million metric tons; and bauxite at 120 million metric tons. There are two aluminum and aluminum oxide processing plants situated near bauxite mining operations. Annual coal production is approximately 15 million metric tons, both via open pits and casts.

### **Leading Sub-Sectors**

- Heavy mining equipment, including bulldozers, tractors, excavators, surface mining conveyor systems, and heavy trucks.

### **Opportunities**

The Federation Government consolidated seven coal mines under the new ownership of Elektroprivreda BiH. The government hopes that this will pave the way for significant investments in the rehabilitation of those seven mines. Elektroprivreda BiH has committed to investing \$497 million in the long term in rehabilitation of the mines, primarily through heavy mining equipment procurement and upgrade that should increase the coal mines efficiencies. The procurement process has been slow due to lack of available funds and as of this report's publication most of the planned equipment has not been purchased.

### **Web Resources**

[Elektroprivreda BiH \(EPBiH\)](#)

[Elektroprivreda Republike Srpske \(ERS\)](#)

[Elektroprivreda Hrvatske Zajednice Herceg Bosna \(EPHZHB\)](#)



## **Rail Transportation**

### **Overview**

A modernized railway system is needed to alleviate the traffic burden on BiH's inadequate roads. The BiH rail system is divided by entity, weighed down by excess employees, and hampered by poor and aging infrastructure. The total length of operational railway tracks in BiH is 1,031 km. Major users of the railway transport system are large industrial plants (such as the chemical plant in Tuzla and Arcelor-Mittal Steel plant in Zenica), coal mines (Zenica, Tuzla, and Prijedor), the Aluminij aluminum plant in Mostar, and oil distributing companies (INA, Energopetrol, and OMV). Passenger railway traffic is very limited but has been growing in the past couple of years since the railway companies purchased modern and comfortable coach cars.

Rail transport in Bosnia and Herzegovina is operated by two companies: Željeznice Federacije Bosne i Hercegovine, which operates in the Federation, and Željeznice Republike Srpske, which operates in the RS. The entity companies manage the infrastructure and provide transport operations for both freight and passenger service within their borders. Priorities for the railway sector in both entities are reconstruction and modernization of infrastructure and purchase of new locomotives and coach cars. While there is some cooperation, inter-entity politics plays a large role in rail transport. In cooperation with the World Bank, the RS railway company is undergoing a restructuring to improve financial results and right-size staffing levels. The Federation railway company has recently improved its financial performance.

### **Opportunities**

Federation Railways bought new Spanish "Talga XXI" passenger trains (\$95 million value) in 2011. The trains, known for their high operational speed (up to 300km/hour), were just recently put to use since the current rail tracks in the Federation limit speeds to 60 kilometers per hour. RS Railways also purchased several new Spanish "Talga" trains and has announced that the company is planning to significantly upgrade the existing railway infrastructure in the near term. Passenger service between Banja Luka, Sarajevo, and Mostar was revived in 2017, although the volume is still relatively small. Reconstruction and modernization of rail infrastructure, such as signalization equipment and rail track upgrades, will remain the focus of both railway companies.

### **Web Resources**

[BiH Ministry of Transport and Communication](#)

[Railways of Federation of Bosnia and Herzegovina](#)

[Railways of Republika Srpska](#)

## Renewable Energy

### Overview

BiH has significant renewable energy potential, particularly in hydropower and wind power capacity. Hydropower provided 44 percent of the country's total electricity production in 2019 and there is room for additional growth. According to a study conducted by the German government, BiH could generate up to 2000 MW of wind energy per year, primarily in the areas of Livno, Tomislavgrad, Mostar and Trebinje. This nascent industry still faces several regulatory and financial challenges. The country's first wind farm near the Federation town of Tomislavgrad began operating in March 2018. The 82 million euro (\$101.1 million), 50.6 MW wind farm has 22 wind turbines and an annual output of about 165 GWh.

### Leading Sub-Sectors

- Equipment for wind farms
- Equipment for hydro power plants
- Opportunities

In the Federation, there are opportunities for construction of small hydro power plants and wind powered plants, but due to lack of harmonization and adequate concession legislation between the canton and Federation-level governments, those opportunities will be somewhat limited in the near term. The RS government announced it would begin selecting strategic partners for construction of 24 new hydro and thermal power plants. This could create significant opportunities for sale of power generation equipment as well as possible opportunities for power plant management contracts. As of this report's publication, the projects are still on hold. German state-owned development bank KfW (Reconstruction Credit Institute) approved an \$89 million loan for the construction of Podvelezje wind farm in BiH. The project will be implemented by Elektroprivreda BiH (EPBiH), one of BiH's three power utility companies. The total cost of the project is estimated at \$97 million and EPBiH will directly fund the remaining \$8 million from its own sources. The Podvelezje wind farm will have 16 wind turbines with a total capacity of up to 48 megawatts and annual power production of approximately 100 Gigawatt hours. Construction of the Podvelezje wind farm near Mostar will start in 2020. In the RS, U.K.-based company Kermas plans to invest \$105 million in a 51 megawatt (MW) wind park at Trusina in the municipality of Nevesinje, as a strategic partner of local company Eol Prvi, although the RS government recently cancelled its concession with this local firm. At the time of publishing this report this project is still in the pre-construction phase and it is unknown if, and when, construction will commence.

The RS Government has awarded a 50-year concession for the construction and use of a solar power plant in the Bileća municipality to EFT International Investments Holding Limited, based in London. The power plant will have an installed capacity of 60 MW and an estimated annual production of 84 GWh. The estimated value of the investment is EUR 53 million (\$62 million).

The RS Government also awarded to the Public Utility Elektroprivreda RS received a concession for the construction of a solar power plant in the City of Trebinje, with an installed capacity of 100 MW and an average annual production of 147.7 GWh. Estimates of the investments are around KM 134 million (\$86 million).

Both concessionaires are interested in cooperating with potential partners from the USA as investors, or with suppliers of technology and equipment for planned solar parks.

In January 2016, Bosnian company Gradina signed an MOU with the China Machinery Engineering Corporation (CMEC) and the China-Africa Investment and Development Corporation for construction of a 112 MW, 35-turbine, \$162 million wind farm near the Federation's Tomislavgrad in southwestern BiH. CMEC and the China-Africa Investment and Development Corporation are expected to invest 90 percent of the total estimated cost

of the project, while the rest will be financed from local sources. Once completed, the wind farm will diversify energy sources and increase the share of renewables in the country's electricity production.

In October 2017, IMRES Smart Greenenergy, a local company, and Turkish engineering firm Enprode signed a deal for the construction of an EUR 1.6 billion (\$1.9 billion), 51 MW wind farm and for research projects to build a reversible hydroelectric power plant (HPP).

In May 2018, China Machinery Engineering Corporation (CMEC) announced it is interested in building two 50 MW wind farms in the Central Bosnia Canton in partnership with local firms. Total value of the entire investment would be around 140 million EUR (\$165 million) and would be financed by the Chinese EXIM Bank.

## **Web Resources**

[BiH Electricity Regulatory Commission](#)

[Elektroprenos \(BiH Electricity Transmission Company aka Transco\)](#)

[Elektroprivreda BiH \(EPBiH\)](#)

[Elektroprivreda Hrvatske Zajednice Herceg-Bosna \(EPHZHB\)](#)

[Elektroprivreda Republika Srpske \(EPRS\)](#)

[European Bank for Reconstruction and Development \(EBRD\)](#)

[Regulatory Commission for Electricity in the Federation BiH](#)

[Regulatory Commission for Energy of the Republika Srpska](#)

[World Bank](#)

## Telecommunications Industry

### Overview

Information about the sector's regulatory framework and latest activities can be found on the [BiH Communications Regulatory Agency's](#) (CRA) website.

Bosnia's telecommunications sector, similar to electric power production and other infrastructure, was divided along ethnic lines following the 1992-1995 war. In the Federation, service is split between the Sarajevo-based BH Telecom in Bosniak-majority areas and Mostar-based HT Mostar in Croat-majority areas, while Banja Luka-based M:Tel (Telekom Srpske) covers the entire territory of Republika Srpska.

M:Tel was privatized in December 2006 via a sale to Telekom Srbija, the dominant fixed-line and mobile telephone provider of Serbia, whose government owns a controlling interest in the parent company. The Federation government owns controlling shares in BH Telecom and HT Mostar. The CRA awarded the three operators 4G licenses in April 2019. The mobile phone market currently is estimated to have around 98 percent market penetration. M:Tel has been expanding steadily both in the Republika Srpska and in the Federation. BH Telecom's subsidiary BH Mobile and HT Mostar's Eronet still have dominant positions in their traditional market areas.

A notable development is the appearance of broadband Internet service deployed via cable television. In years to come, more providers will be able to offer a "triple package" of phone, internet and cable service.

The U.S. investment fund Kohlberg, Kravis, Roberts (KKR) became the largest U.S. investor in BiH with its purchase of United Group (SBB/Telemach) in 2014. In March 2019, BC Partners, a leading international investment firm, announced the completion of the acquisition of majority ownership of United Group from KKR, following the receipt of all necessary regulatory approvals. KKR retained a substantial minority stake in the company.

Bosnia and Herzegovina's [Communications Regulatory Agency \(CRA\)](#) published data on the country's communications markets for 2019, which revealed that mobile subscriber numbers increased by 1 percent. According to the regulator's statistics, there were a total of 3.755 million mobile subscribers in the country at the end of 2019. BH Telecom remains the sector leader, accounting for 43 percent of the nation's mobile subscribers at end of 2019, followed by the other two network operators M:Tel and HT Eronet retaining their second-placed and third-placed spots with 36.1 percent and 20.9 percent, respectively. At the end of 2019, there were six active mobile virtual network operators in Bosnia and Herzegovina. Though none have yet to make any real inroads in the market, Blicnet is the largest of the six companies.

Total fixed line connections declined by 1.6 percent in 2019 to 728,322 with the nation's three "dominant" operators – BH Telecom, M:Tel, and HT Mostar – controlling the majority (81 percent) of those between them. Number of Internet users in 2017 was 3.2 million users with Internet penetration at 90 percent.

According to Business Monitor International's (BMI) Bosnia-Herzegovina Telecommunications Report, BiH's telecom market remains one of the least developed in Central and Eastern Europe and as such represents a significant growth opportunity for operators and telecom equipment vendors. Meanwhile, BMI believes higher value services, especially mobile data and postpaid subscriptions, will be major growth drivers as operators attempt to capitalize on the improved outlook for economic growth.

## Leading Sub-Sectors

- Telecommunications equipment and services for the expansion of existing networks including mobile, fixed line, and broadband.

## Opportunities

The aforementioned operators remain the best opportunity for marketing goods and services. Their near monopoly position in mobile telephone services will continue to generate sufficient revenues to finance expansion and modernize their networks.

The companies face the challenge of migrating from traditional to Internet-based technologies. All three incumbent operators have in their development plans the acquisition and deployment of the following technologies/services: IP/MPLS, VoIP, 3G, GRPS, EDGE, and UMTS. In addition, they are looking to expand existing broadband access networks, to include xDSL, Ethernet WAN, Ethernet Metropolitan Area Networks, Wi-Fi, W-LAN, among others.

The rapidly growing cable television sector also provides opportunities for investment. The liberalization of VoIP could signal the next big development in BiH and may present a significant business opportunity. The ISPs and cable television operators are expected to play a significant role in providing the VoIP service in the future.

In accordance with EU standards, all television stations in BiH must begin digital broadcasting, despite the deadline for transition to digital broadcasting had passed in 2015. The process of digitalization is still ongoing which should provide an opportunity for U.S. sale of digital broadcast and ancillary equipment. Five informative-technical centers throughout the country will be linked to public broadcasting services' digital connections and transmitters to cover the cities of Sarajevo, Banja Luka, and Mostar with digital signals. The digitization will include three public broadcasters, which will cost about \$30 million after all phases of the project are complete.

The incumbent operators are required by law to conduct open public tendering procedures for the purchase of goods and services. Procurement notices can be found on the companies' websites listed below. The best way to access these opportunities is via some form of local presence, either direct or through agents and distributors.

## Web Resources

[BiH Communications Regulatory Agency \(CRA\)](#)

[BH Telecom](#)

[Hrvatske Telekomunikacije \(HT\) Mostar/HT Eronet](#)

[m:Tel](#)

## Customs, Regulations, & Standards

### Trade Barriers

BiH, as part of its efforts to accede to the WTO, has made major trade policy reforms to bring practices in full conformity with WTO requirements and eventual membership in the EU. Reforms include the elimination of import quotas, reduction of import licensing and prohibitions, streamlining of customs procedures, and the reduction of tariff and non-tariff barriers.

BiH Customs Tariff Law generally provides that foreign trade is liberal and without limitations. Once registered for performing business activities, a legal entity/entrepreneur may perform foreign, as well as domestic, operations. No special approval or administrative procedure is now required for re-export transactions, except for arms, ammunition, and dual use goods, which are subject to other regulations.

### Import Tariffs

The Import Tariffs of Bosnia and Herzegovina are harmonized each year with the Combined Nomenclature of EU and legislative regulations. Goods imported into Bosnia and Herzegovina and placed in free circulation are subject to payment of value added tax (VAT) at the rate of 17 percent while certain groups of products (e.g. coffee, cigarettes, oil, oil derivatives etc.) are subject to payment of specific taxes (excise) in accordance with the Law on Excise of BiH. The rates of specific taxes have an *ad valorem* and/or specific rates form.

### Import Requirements & Documentation

All goods imported into the customs territory of BiH are subject to customs procedures contained in the Law on Customs policy, which applies uniformly throughout the customs territory of BiH. USDA has additional agriculture-related information at the following two websites: [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#).

Imports must be accompanied by a customs declaration, completed in one of the three official languages of BiH (Bosnian, Serbian, or Croatian), and submitted by the person named on the waybill or an authorized representative. The declaration must be accompanied by any relevant documents (invoice, shipping documents, and quality control certificates). The customs office may inspect the goods and take samples to determine that the goods correspond to the information on the customs declaration.

Once the customs office determines the amount of customs duty, the importer is required to obtain a guarantee covering the customs duty with the Customs Authority in the form of a cash deposit or a bank guarantee. The goods cannot be placed in circulation until customs duties have been paid or the payment has been guaranteed.

### Bill of Lading

May be direct or to order. Mail and parcel shipments require postal documentation in place of bills of lading. Packages containing merchandise for which the senders are to receive payment must enclose the original invoice in the package (marked "Original Invoice") and the wrapper of the package must be marked to indicate that the original invoice is enclosed. Senders are recommended to post a signed copy of the invoice giving notice to the addressees that the packages are en route. Air cargo shipments require airway bills with the number of copies issued based on requirements of the importer and the airline.

**Certificate of Origin**

Certificates of origin should be issued in a minimum of two copies (the certifying organization will require an additional notarized file copy) made out by a reliable authority or agency duly authorized for that purpose by the country of issue. Certificates of origin are not required for imports for long-term production ventures with foreign partners, for the purchase of capital goods for investment projects abroad and for the return of goods to BiH, or for imports without payment of equivalent value.

**Commercial Invoice**

There is no prescribed format. Invoices should be issued in a minimum of two copies; additional copies may be requested. They must contain the usual particulars, including a full description of goods, marks and numbers, gross and net weights, number of packages, country of origin, plus any information that must be furnished to conform to contract.

**Insurance Certificate**

Normal commercial practices. Follow the importer's and/or the insurance company's instructions/advice.

**Packing List**

Not mandatory, but its use will facilitate clearance of goods.

**Pre-shipment Inspection**

May be requested by the importer.

**Pro-Forma Invoice**

May be requested by the importer.

**U.S. Shipper's Export Declaration (SED)**

Required if the value is more than \$2,500 (\$500 for shipments through the U.S. postal system). SEDs are required for all shipments requiring an export license. For specific information on import requirements and documentation for food and agricultural products, please see the [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#).

**Labeling/Marking Requirements**

Labels must contain the following information:

- Name of the product
- Full address of the importer
- Country of origin
- Net quantity/weight/volume
- Ingredients
- Manner of storage (transport, use, or maintenance)
- Pertinent consumer warnings

Technically complex products must be accompanied by instructions on usage, manufacturer specifications, a list of authorized maintenance persons/businesses, warranty information, warranty period, and other

applicable data. All information must be translated into the languages of BiH and affixed to (or accompanying) the product before it is put on the market.

For labeling and marking requirements for food and agricultural products please see the [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#).

## U.S. Export Controls

More information on U.S. export controls to BiH and general guidelines can be found at the [Bureau of Industry and Security website](#). The consolidated screening list can be found on [Trade.gov's webpage](#).

The United States imposes export controls to protect national security interests and promote foreign policy objectives. BIS's Export Enforcement (EE) is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure. In accordance with the EAR, BIS officials conduct site visits, also known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR, to verify compliance.

An EUC is an on-site verification of a party to a transaction to determine whether it is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re-exported or transferred (in-country) in accordance with the EAR.

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "[red flags](#)", or warning signs, intended to discover possible violations of the EAR.

Also, BIS has "[Know Your Customer](#)" guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars and focus on the basics of exporting as well as more advanced topics. Check a [list of upcoming seminars and webinars](#).

BIS also provides [online training](#).

The EAR does not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations).

The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates a number of smaller lists



of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions.

### **Temporary Entry**

Goods temporarily entering BiH may be fully or partially free of customs duties and must not undergo any changes except for the nominal loss of value due to use. The maximum period for temporary entry is 12 months. The full list of goods that can be imported under this regime is provided in the Law on Customs Policy.

### **Prohibited & Restricted Imports**

In accordance with the Law on Foreign Trade Policy, for reasons of public safety and protection of human health and lives, the following types of imports are restricted:

- Cargo vehicles older than ten years
- Buses older than ten years
- Trailers for cargo vehicles older than ten years
- Used tires

In accordance with obligations from international trade agreements, the Council of Ministers may ban imports, exports, or transit of certain goods through BiH or set conditions for imports, exports, or transport of such goods in transit in order to prevent danger to human lives, health, and the environment.

### **Customs Regulations**

#### **Customs Valuation**

Articles 24 to 32 of the Law on Customs Policy establish procedures for the determination of the customs value of goods. Pursuant to Article 25 of the Law on Customs Policy, the customs value of imported goods is the transaction value, i.e. the price actually paid or payable for the goods when sold for exports to the customs territory of BiH. BiH's system of customs valuation in the Law on Customs Policy is fully compatible with WTO rules.

#### **Application of Internal Taxes on Imports**

##### *Value Added Tax*

As of January 1, 2006, BiH introduced a value added tax at a flat rate of 17 percent that is levied on all imported and domestic goods.

##### *Excise Tax*

The excise tax is paid only on certain goods at the moment of their release for free circulation. The excise tax is applied identically to domestic and imported goods.

The goods for which an excise tax is levied are: oil derivatives, tobacco, beverages, alcoholic drinks, and coffee.

##### *Rules of Origin*

Rules of origin are set out in Articles 20 - 23 of the Law on Customs Policy. This Law distinguishes between non-preferential and preferential origins. BiH has not concluded an agreement on preferential origins with the U.S.

#### *Non-Preferential Origin*

The Law stipulates that goods originating from a country are those wholly obtained or produced in that country. Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last substantial processing or finishing.

#### *Preferential Origin of Goods*

Article 23 of the Law on Customs Policy prescribes the rules to be applied for preferential trade, i.e. the conditions goods need to fulfill in order to benefit from the preferential measures referred to in Article 19, Paragraph 4 (c) and (d) of the Law.

### **National Tariffs**

Import tariffs were eliminated for 11,000 products that BiH imports from the EU in 2009. The Customs Tariff Nomenclature is based on the Harmonized Commodity Description and Coding System (HS). BiH nomenclature of goods is fully harmonized with the combined EU nomenclature.

Customs duties on all commodities imported into BiH are paid *ad valorem* at rates of 0, 5, 10, and 15 percent. These rates apply to commodities originating from countries that have concluded an agreement with a Most Favored Nation clause with BiH, or from those countries that apply the same clause on the commodities originating from BiH. Upon BiH accession to the World Trade Organization, most-favored nation (MFN) status will be granted to all WTO members.

In addition to *ad valorem* custom duty rates, an additional duty is paid on imports of certain agricultural products in a per-unit amount. This additional duty is charged on 852 of the total number of tariff headings (10,823), and the amounts range from KM 0.08 KM/per unit to KM 6.00 /per unit. (Currency note: \$ 1= KM 1.74 on 05/09/2019)

Preferential tariff measures, pursuant to Article Three, Paragraph (c) of the Customs Tariff Law, may apply to goods from certain countries or groups of countries which have concluded an agreement on preferential treatment with BiH.

Trade with Albania, Macedonia, Moldova, Romania, Serbia, Montenegro, and Kosovo is governed by the Central European Free Trade Agreement (CEFTA), concluded in 2007. A separate bilateral free trade agreement is in force with Turkey.

### **Tariff Quotas & Tariff Exemptions**

#### *Tariff Quotas*

Articles Three and Seven of the BiH Customs Tariff Law permit the introduction of tariff quotas as a special measure for certain tariff headings. Consequently, the BiH Council of Ministers may approve imports of goods exempt from customs duties or at tariff rates lower than the duty set by the BiH Customs Tariff. The application of this measure is restricted to limits, and ceases when the stipulated limit or value of the quota is reached.

#### *Tariff Exemptions and Relief*

Irrespective of tariff rates set by the Customs Tariff Law, some goods are exempt from customs duties under specific conditions. The following goods are exempt from customs duties:

Equipment representing the investment of a foreign person, except passenger vehicles and entertainment and gaming machines;

Goods for military and police forces in the entities that are fully donor financed; and

Goods for reconstruction projects in BiH.

## **Other Duties and Charges**

Irrespective of the customs duty, which is paid on all commodities imported into the customs territory of BiH at the rates stipulated in the Customs tariff, the Law on Customs Policy, and the Law on Foreign Trade Policy, there are other regulations prescribing or allowing imposition of other taxes and charges.

### *Seasonal Duty*

Article 19 Paragraph 7 of the Law on Customs Policy allows for imposition of a seasonal duty. Accordingly, in addition to the tariff rates in force, the BiH Council of Ministers, after consulting the entities, may introduce a seasonal duty on non-processed agricultural products for a set period of time. The seasonal duty has never been applied.

### *Antidumping and Countervailing Duties*

Goods imported into BiH at prices below their normal value or subsidized in some way may be subject to antidumping and countervailing duties, in accordance with BiH law.

### *Fees for Inspection of Goods*

Article 7, Paragraph 3 of the Law on Foreign Trade Policy requires sanitary, veterinary, phyto-sanitary, and ecological inspections of certain imported goods. Fees for these inspections are set by the Law on Administrative Fees and are approximately equal to the value of the service performed, in line with Article VIII of GATT.

## **Standards for Trade**

### **Overview**

After the breakup of Yugoslavia, BiH inherited more than 11,000 Yugoslav standards and by-laws (known as "JUS" standards) and a number of those standards still remain in force. Identical regulations and standards are applied to both domestic and imported goods, regardless of the country of origin.

### *Standards*

As of January 1, 2007 the former BiH Institute for Standardization, Metrology and Intellectual Property was broken into three separate institutes:

- BiH Institute for Standardization
- BiH Institute for Metrology
- BiH Institute for Intellectual Property Rights ("IPR Institute")
- BiH standards are designated per the BAS Standard. BiH is a member of the following international organizations for standardization:

- International Organization for Standardization (ISO)
- International Electro-technical Commission (IEC)
- European Committee for Standardization (CEN)
- European Committee for Electro-technical Standardization (CENELEC)
- European Telecommunications Standards (ETSI)

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. [Notify U.S.](#) is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets.

### **Conformity Assessment**

The Institute for Standardization is the main conformity assessment body in BiH. There are other testing organizations in BiH; a list of these institutions can be obtained from the Institute for Standardization.

For information on testing/conformity assessment for food and agricultural products, please see the [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#).

For information on laboratories authorized for testing genetically engineered products, please see the [Food and Agricultural Import Regulations and Standards](#) (Section VII: Other Specific Standards and Appendix I).

### **Product Certification**

Product certification is required to ensure that the product has undergone appropriate testing and conforms to relevant regulations. USDA has additional agriculture-related information at the following two websites: [Food and Agricultural Import Regulations and Standards](#) and [Exporter Guide](#). There are no existing Mutual Recognition Agreements with U.S. organizations.

### **Testing, Inspection and Certification/Accreditation**

The BiH Accreditation Institute is the main institution for accrediting testing organizations in the country. Before placing a product on the market in BiH, the manufacturer or its authorized representative in BiH must assess whether the product conforms to current technical regulations. The Law on Technical Requirements defines the assessment procedures for Products and on Conformity Assessment. Conformity documents and markings issued abroad are recognized in BiH, if they are issued in accordance with the international agreements on mutual recognition of documents of which BiH is a signatory. The Ministry of Foreign Trade and Economic Relations may recognize the validity of conformity documents and conformity markings issued in the countries with which BiH has not signed international agreements if they have been issued in accordance with technical regulations that are equivalent to those adopted by BiH, and if the competence of the bodies that carried out the conformity assessment has been verified according to the same requirements as those prescribed for such bodies by BiH regulations.

### **Publication of Technical Regulations**

The BiH Institute for Standardization publishes a bulletin of standards. Technical regulations are published in the Official Gazette of BiH, Official Gazette of FBiH, and the Official Gazette of RS. U.S. companies can comment directly to the Institute.

Most food and agricultural products are subject to sanitary, phytosanitary and quality standards. To learn more about these technical regulations please see the [Food and Agricultural Import Regulations and Standards Exporter Guide](#).

## **Trade Agreements**

### **CEFTA**

In December 2006, BiH signed the Central European Free Trade Agreement (CEFTA), which became operational in November 2007. The regional trade group consists of Albania, BiH, Kosovo, North Macedonia, Moldova, Montenegro, and Serbia.

### **EU SAA**

In June 2008, BiH signed the Stabilization and Association Agreement (SAA) with the European Union, an important step towards EU membership. The Stabilization and Association Agreement (SAA) between the EU and Bosnia and Herzegovina (BiH) officially entered into force on June 1, 2015. The most important part of the SAA is the establishment of a free trade zone between BiH and the European Union, allowing for the mutual abolishment of custom tariffs and quantity limitations in mutual exchange of goods between BiH and the EU. The entry into force of the SAA should increase the confidence of investors, domestic and international in the country. It will allow both Bosnian companies and EU companies to access their respective markets. This is conducive to enhanced business opportunities for both the EU and the BiH based companies. The SAA should also encourage further development of competitiveness among the country's exporters and increase investment and employment.

### **Trade in Agriculture and Food Products**

With Croatia's accession to the EU on July 1, 2013, Croatia lost its privileged CEFTA access and the following key products began to be subject to duties ranging from 5 to 35 percent: dairy, meat products, fruits, vegetables, and sugar. At the same time, BiH lost access to the Croatian market for its animal products that did not have EU recognition (everything except processed fish, animal skins, honey, and dairy products). Valued at \$40 million (60 million KM) in 2012, these products represent around 27 percent of BiH's agro-food exports to Croatia. Most plant origin exports continued uninterrupted, except for certain plant materials (i.e., grape vine seedlings, corn and vegetable seeds, and some citrus). In September 2016, BiH and the EU initialed the Protocol on Trade to the SAA that was adapted to reflect Croatia's EU membership as of July 2013. The adapted SAA provides for unlimited, duty-free access for BiH fruits and vegetables and allows higher quotas for fish and wine from BiH into the EU market. In return, BiH established higher duty-free quotas for sugar, cigarettes, beef, pork, milk, poultry products, and potatoes imported from the EU. BiH started implementing the adapted SAA on February 1, 2017, while the EU is undergoing the process of changing EU regulations at the European Commission.

### **U.S. GSP**

Bosnia and Herzegovina was designated as a beneficiary country under the United States Generalized System of Preferences (GSP) program, under which more than 3,400 products are eligible for duty-free entry to the United States. The GSP program provided an incentive for investors to produce in Bosnia and Herzegovina. On March 23, 2018, President Trump signed legislation reauthorizing the Generalized System of Preferences (GSP) program through December 31, 2020. Between 2010 and 2016, BiH exported to the U.S. over \$26 million worth of goods eligible for the GSP program.

## **Licensing Requirements for Professional Services**

Ministries of Finance at the entity level prescribe the conditions for issuing licenses for certified accounting and auditing companies. Licenses are issued for a validity period of three years. Similarly, entity-level Ministries of Justice prescribe the conditions for issuing a license for a legal practice.

## **Selling U.S. Products & Services**

### **Distribution & Sales Channels**

As a result of different legal frameworks in the entities, there are two distribution areas in BiH: one in the Federation and one in Republika Srpska. Although some effort has been made to harmonize the entities' legal systems, there are still significant differences. Consequently, many manufacturers have developed multiple distribution channels and contracts with multiple distributors to cover both the Federation and Republika Srpska.

There are three primary types of distribution channels in BiH:

For consumer goods

- Producer to wholesaler to retailer to consumer

For industrial goods

- Producer to industrial user; or
- Producer to distributor to industrial user

For services

- Service provider to consumer or industrial user

**Wholesaling:** Wholesalers offer the best channel for providing transportation, product storage, market information, financing, and risk management. Most wholesalers are independent, full-service merchant wholesalers that import and distribute goods. There is a significant degree of specialization in the wholesale sector by industry. Foreign companies control their distribution channels in BiH in a variety of ways.

Some manufacturers have opened representative offices in order to control distribution channels and supervise/manage marketing efforts. For example, one major U.S. corporation relies on three distributors and a number of wholesalers to service the market. The company's sales offices, located across the country, coordinate marketing efforts. Several U.S. IT companies cover the market directly and through a network of business partners, usually smaller IT companies. Finally, some U.S. companies utilize a single distributor that covers the entire country.

**Retailing:** The most significant development in the retail market is the appearance of large retailers, many of them foreign-owned, Konzum (Croatian supermarket chain), Mercator (Slovenian supermarket chain), as well as locally-owned retail companies, Bingo, Tropic Centar, and Robot Komerc. In addition, the continued expansion of the shopping mall concept - including the newest major entrant, the Sarajevo City Center mall opened in 2014 - has changed consumers' habits.

### **Using an Agent or Distributor to Sell U.S. Products and Services**

Finding a good agent and/or distributor is the most effective means of market entry in BiH. Reliable and capable partners can be found, but it may take some time and effort to locate them. Local partners can be located through the [Foreign Trade Chamber of BiH](#), which maintains a business registry and features an electronic goods and services exchange. It is strongly recommended that the creditworthiness and local reputation of your future partner be verified before signing legal documents or conducting any business transactions.

U.S. Embassy Sarajevo can assist in locating potential partners and assessing their creditworthiness. Through a partnership with the U.S. Foreign Commercial Service, the Embassy provides the International Partner Search (IPS) and the International Company Profile (ICP) services to U.S. companies. The American Chamber of Commerce in Bosnia and Herzegovina is also a useful source of information on potential partners.

### **Establishing an Office**

Establishing a business in BiH can be an extremely burdensome and time-consuming process for investors. In its “2020 World Bank Doing Business” report, the World Bank ranked BiH 90 out of 190 countries, a decline of six spots from its ranking the previous year. The World Bank estimates there is an average of 13 procedures, taking a total of 81 days, to complete registration of a new business in the capital city, Sarajevo. Certain administrative procedures can be especially time-consuming; for example, obtaining a construction permit can take as long as one year. In 2013, the RS established a one-stop-shop for business registration in the RS. This reduces the required processes dramatically and the time to register a business in the RS is down to an average of one to two weeks. Registration in BiH can sometimes be expedited if a local lawyer is retained to follow up at each step of the process. Investors in the Federation may register their business as a branch office in the RS and vice versa.

All three sub-national levels of government (entity, cantonal, and municipal) establish laws and regulations affecting businesses, creating redundant and inconsistent procedures that encourage corruption. It can be difficult to understand all the laws and rules that might apply to certain business activities, given overlapping jurisdictions and the lack of a central information source. It is therefore critical that foreign investors obtain local assistance and advice.

The most common U.S. business presence found in BiH is the representative office. A representative office’s activities are limited to market research, contract or investment preparations, technical cooperation, and similar business facilitation activities. The BiH Law on Foreign Trade Policy governs the establishment of a representative office. To open a representative office, a company must register with the Registry of Representative Offices, maintained by the BiH Ministry of Foreign Trade and Economic Affairs (MoFTER) and the appropriate entity’s ministry of trade. Applications must contain the following information:

1) A document indicating the decision of the founding or parent company to establish a representative office, to include:

Name and address of the branch office (if such exists)

Name and address of the founder

Name and address of the office (in BiH)

Names of persons managing the office

Scope of activities of the office

Terms of reference of the office

2) A certified document proving registration of the parent company in the home country;

- 3) A certified statement of liability for all liabilities that stem from activities of the office;
- 4) Appointment of the person in charge of the office (in BiH); and
- 5) Employment information including the number of employees in the local office and a list of foreign employees.

All documents must be originals and an authorized court translator must translate the documents into the local language. If the documentation is complete and correct, the registration procedure should be completed within 30 days. The BiH Ministry of Foreign Trade and Economic Relations (MoFTER) will appoint the office by a decree published in the Official Gazette. After receiving the decree, the new representative office must notify MoFTER within 90 days of the beginning of operations. If the representative office fails to do so, the appointment will be cancelled.

A representative office is allowed to have both foreign and local currency accounts with local banks. Office equipment can be imported free of customs duties, based on a temporary permit with the possibility for extensions. Office vehicles may be imported but only for expatriates. Expatriates are required to obtain residence and work permits and to pay local income taxes.

Other forms of establishing a business in BiH include:

#### **Unlimited Joint Liability Company**

An Unlimited Joint Liability Company is a company of at least two persons who bear unlimited mutual liability of the company. The company is founded by a founding contract of two or more domestic/foreign legal entities. Every member has the right and obligation to manage the company. The company has no statute and no management bodies because members manage the company directly, including representation of the company.

#### **Limited Liability Company**

A Limited Liability Company (LLC) is founded by an establishment act or establishment contract by one or more domestic/foreign legal entities with basic capital divided in parts. A member in a limited company is liable for the value of his investment in that company. Minimum basic capital is KM 2,000 (approx. \$1,300).

#### **Limited Partnership**

A Limited Partnership is a company in which one or more members has unlimited solidarity liability for the liabilities of the company including members' private assets. Risk of one or more members is limited by the value of their share in that company. A Limited Partnership is founded by a contract of two or more domestic/foreign legal entities. General partners manage the business of the company and the company is represented by each general partner.

#### **Joint-Stock Company**

A Joint-Stock Company is founded by the establishment contract of one or more domestic/foreign shareholders with basic capital divided into shares. A Joint-Stock Company is not liable for the obligations of shareholders and can be established by one or more founders. The minimum basic capital is KM 50,000 (approximately \$30,000).

The following steps are required to establish a limited liability company (the most frequent business entity form). The steps are uniform for the whole territory of BiH:

1. Establishment of contract
2. Initial capital payment



3. Registration at the competent court
4. Registration of a company stamp
5. Opening of a bank account in a commercial bank
6. Registration at the tax administration
7. Registration at the local municipality
8. Initiation of business activity

Additional English-language information on the registration process can be obtained from:

[BiH Ministry of Foreign Trade & Economic Relations \(MoFTER\)](#)

Musala 9

71000 Sarajevo

Bosnia and Herzegovina

Tel: +387-33-220-093

Fax: +387-33-445-911

[BiH Foreign Investment Promotion Agency \(FIPA\)](#)

Grbavička 471000 Sarajevo

Bosnia and Herzegovina

Phone: ++ 387 33 278 080

Fax: ++ 387 33 278 081

E-mail: [fipa@fipa.gov.ba](mailto:fipa@fipa.gov.ba)

\*(Currency exchange rate: \$1 = KM 1.65 on 8/28/2020)

## **Franchising**

Franchising has yet to make a significant mark on the economy of BiH, though signs of progress can be found. The first McDonald's franchise arrived in 2011 and there are now four McDonald's restaurants in BiH. Marriott opened the Residence Inn Sarajevo in 2014, and a Courtyard in Sarajevo in 2015, and a Courtyard in Banja Luka in 2019. A Marriott is under construction in Mostar. Caribou Coffee recently opened two stores in Sarajevo. Car rental companies (Hertz, National, Budget, Alamo) also have developed local franchising operations. BiH has no specific franchise laws.

## **Direct Marketing**

Direct response selling remains popular in BiH. With the steady growth in credit card usage, there are attempts to market consumer goods through catalog sales, direct response advertising (TV, radio, and print media), and e-commerce. Marketing is usually carried out via formal or informal multi-level marketing groups or direct sale chains. Often, informal gatherings are used to promote the products and encourage sales.

## **Joint Ventures/Licensing**

Joint ventures are rare in BiH. The BiH Law on the Policy of Foreign Direct Investment and the Law on Companies regulate the establishment of joint ventures, investment in companies with mixed ownership, as well as other types of foreign or domestic investment. Establishing a joint venture requires a local lawyer and registration with the local court.

The Law on Obligations (“Commercial Code”) addresses contract law. The licensing contract covers intellectual property rights issues (trademark, model, patent or copyright), payments/royalties, the term of the contract, restrictions on using trademarks, among other topics. A local lawyer should be consulted to ensure that provisions of the contract do not contravene BiH law.

## **Express Delivery**

There are several express delivery, courier, and shipping services available to companies operating in the country, including FedEx, UPS, DHL, and other local and international express couriers. The average transit time for document shipments from large U.S. cities to BiH is about three to four business days.

## **Due Diligence**

The complex legal environment in BiH dictates the need for a local attorney. The legal framework is sometimes contradictory or overlapping, creating confusion and uncertainty. Bosnian attorneys’ experience base is still limited with respect to legal questions and the issues that arise in a market-oriented economy. However, local lawyers are quickly gaining experience in working with international organizations and companies that are operating in BiH. Companies’ in-house legal counsel should be prepared to oversee their in-country counsel, with explicit explanations and directions regarding objectives. U.S. Embassy Sarajevo maintains a list of local lawyers willing to represent U.S. Citizens in BiH. The list can be accessed at the [U.S. Embassy Sarajevo’s website](#). The U.S. Embassy Sarajevo can assist you in locating requested professional services as available. The Economic/Commercial Section can be reached at +387 (33) 704-000.

## **eCommerce**

E-commerce is not well developed. BiH citizens and businesspeople generally do not shop or conduct business on the Internet. Many companies maintain websites but ordering online through use of a credit card is very rare. Internet penetration is estimated at 80.8 percent (source: Internet World Stats, 2018). The financial sector leads the way with many commercial banks offering e-banking to their clients.

## **Selling Factors & Techniques**

Many smaller and younger firms have difficulty gaining access to credit; therefore, an outside investor might consider financing options for the local reseller, whether in the area of industrial or consumer goods. Most buyers prefer to pay in monthly installments, even for low-priced goods.

Close and frequent contact with buyers, motivated and trained intermediaries, and aggressive market promotion are additional factors critical to success. Selling to state-owned companies and other state entities still relies on cultivating relationships.

It is important to provide product literature and manuals in local languages, as well as to use locally available service and maintenance.

## **Trade Promotion & Advertising**

### **Trade Promotion**

Trade shows are a common vehicle for company promotion in BiH. Local and regional firms rely on trade fairs to establish business connections, gain market visibility, and learn about new products. Trade shows are held throughout the country. The most important shows take place in [Sarajevo](#), [Banja Luka](#), [Zenica](#), [Mostar](#), and [Gradacac](#). For agriculture and food trade shows, please visit the [U.S. Embassy Sarajevo's website](#).

### **Advertising**

Electronic media (television, cable TV, and radio), outdoor advertising, print media, and online media are the leading advertising mediums. The standard means to pursue advertising services is to contact one of the many advertising agencies in BiH. Media Group and Media Pool are two key advertising groups. Media Group includes BBDO and McCann Erickson, while Media Pool consists of SV-RSA, Fabrika, J.W. Thompson, Communis and M.I.T.A. Group/Saatchi & Saatchi. There are also several smaller, locally-owned firms, such as Via Media.

The broadcasting scene is crowded, with three public Public Broadcasting Service (PBS) broadcasters at the state and entity level, 12 local public TV stations, 45 private TV stations, and 144 radio stations (78 private, 62 public, 3 PBS, plus 3 non-profit). The full list of TV and radio broadcasters is available on the [Communications Regulatory Agency's website](#).

Among the most popular private TV stations are [NTV Hayat](#), [TV Pink](#), [OBN](#), [BNTV](#), [ATV](#), [TV1](#), and [N1](#). The three public broadcasters are a state-level TV and radio station (BHT), as well as two entity-level TV and radio stations (FTV and RTRS).

[Mareco Index Bosnia](#), a member of Gallup International, and [Ipsos](#) are leading public opinion, media and market research companies in BiH. Both companies conduct consumer, media, and public opinion research throughout the country.

### **Pricing**

Since January 1, 2006 BiH has had a single, national 17 percent value-added tax (VAT) rate. This is one of the lowest rates in the region. The price level of goods and services in Bosnia and Herzegovina is relatively low due to the low cost of labor. The market generally determines prices.

### **Sales Service/Customer Support**

Sales service and customer support are relatively undeveloped as marketing tools. As foreign companies come to the market, they and their distributors are developing new standards of customer service. These higher standards of sales service and customer support are slowly being adopted by local firms. When selling capital goods, sales services and customer support are essential, particularly in terms of maintenance and training. A well-trained local distributor can provide a competitive edge in this area.

### **Principal Business Associations**

The [American Chamber of Commerce in BiH \(AmCham BiH\)](#) was established in 2001 as a nonprofit, independent association with the role of advancing the interests of U.S. and other foreign businesses in BiH. AmCham BiH plays an important role in improving the business climate in BiH and promoting high standards of business practices. AmCham BiH brings together companies and organizations, including: law and consultancy firms; consumer goods and service providers; public relations, marketing and advertising companies; information technology companies; non-profit and educational organizations; engineering and construction firms; pharmaceutical companies; food and beverage producers; manufacturers of tobacco products; and various financial institutions. AmCham's activities include advocacy on members' behalf in addressing issues

impacting their ability to conduct business in BiH; lobbying for legislation that is in accordance with European Union and international standards; and organizing regular meetings for members to discuss issues of interest.

The [Foreign Investors Council \(FIC\)](#) was established in 2006 as a non-profit business association, representing the interests of foreign businesses in BiH. FIC members come from different sectors including metal industry, mining, construction, legal and financial services, oil and energy, trade, banking, telecommunications, food and beverage production, and others. FIC objectives include the improvement of the investment and business environment in BiH and the promotion of communication and cooperation between the business council and BiH authorities.

There are also several local Chambers of Commerce on the state, entity, and canton administrative levels. The Chambers of Commerce represent member companies' interests with government related to adopting and amending economic laws, regulations, and programs.

### **Limitations on Selling U.S. Products and Services**

The state-level "Law on Foreign Direct Investment" provides a generic framework for foreign investment. The law accords foreign investors the same rights as domestic investors, including bidding on privatization tenders. The primary exceptions are the defense industry and the media sector, where foreign control or ownership is limited to 49 percent. However, either entity government may decide, if it deems justified, to waive the 49 percent foreign ownership limit for defense industry companies. As a result of FDI Law amendments adopted in March 2015, foreign investors can now own more than 49 percent of capital business entities dealing with media activities, such as publishing newspapers, magazines and other journals, publishing of periodical publications, production and distribution of television programs, privately-owned broadcasting of radio and TV programs, and other forms of daily or periodic publications of edited produced program content through transfer of recordings, voice, sound or images. The new FDI Law maintains the restriction that foreign investors cannot own more than 49 percent of public television and radio services.

## **Trade Financing**

### **Methods of Payment**

The following financial instruments are used in BiH to make payments abroad: documentary collections, checks, and letters of credit. The safest method of receiving payment for a U.S. export sale is cash-in-advance and/or irrevocable letter of credit. However, most importers prefer to avoid this costly instrument. Many claim to do business on open account terms with their European suppliers. Nevertheless, a confirmed letter of credit should be a minimum term. Companies that acquire capital goods expect the vendor to provide financing, preferably in the form of a loan.

### **Banking System**

With a growing number of foreign banks present in the country (83 percent of the total bank capital), competition is strong and banks are beginning to offer an extended product range of financial instruments (credit cards, consumer loans, mortgages). However, the level of bank intermediation remains low, due to the slow restructuring of the economy. Small and medium size enterprises still experience difficulties obtaining long-term credit, a problem exacerbated by the uncertain global economy. Inadequate secured transaction regulations and an inefficient court system make collateral foreclosure difficult and increase the cost of capital. There are currently 26 commercial banks operating in BiH, 17 in the Federation and 9 in the RS.

The [BiH Central Bank \(CCBiH\)](#) is the country's monetary authority. Its goal is to maintain monetary stability under the present currency board arrangement, with full coverage in freely convertible foreign exchange funds under a fixed exchange rate of 1 KM: EUR 0.51129. In addition, the CBBiH supports and maintains appropriate payment and settlement systems and co-ordinates the activities related to supervision of commercial banks. The Central Bank of BiH also coordinates the activities of the bank regulatory agencies in the two entities, which are in charge of bank licensing and supervision.

### **Foreign Exchange Controls**

In accordance with the BiH Law on the Central Bank, neither the Central Bank nor any other relevant institution may impose payment restrictions on international transactions, except when the Central Bank deems it indispensable to meet BiH's obligations under international treaties or law.

Commercial banks and financial institutions in BiH may publicly trade in domestic and foreign currency without restrictions according to the law. The foreign exchange and payment system has no restrictions (no administrative management nor limits) on payments and transfers related to international current and capital transactions. In commercial banks, there are no restrictions for individuals or businesses (domestic and foreign) on opening accounts in domestic or any foreign currency, on exchanging KM for any foreign currency, or in payments to foreign partners.

In both the Federation and the RS, the Law on Foreign Exchange Operations regulates foreign exchange operations. These laws extend identical treatment to domestic and foreign physical and legal entities.

### **U.S. Banks & Local Correspondent Banks**

The following are the largest banks in BiH that maintain U.S. correspondent banking arrangements:

[Raiffeisen Bank dd Bosna i Hercegovina](#) (Austrian)

Phone: (+387) 33 755 010

Zmaja od Bosne bb

71000 Sarajevo

[UniCredit Bank dd](#) (Italian)

Phone: (+387) 36 312 112

Kardinala Stepinca bb

88000 Mostar

[Sparkasse Bank dd](#) (Austrian)

Phone: +387 33 280 300

Zmaja od Bosne 7,

71000 Sarajevo

[Addiko Bank](#) (Austrian/American)

Phone: (+387) 33 755 755

Trg Solidarnosti 12

71 000 Sarajevo

[Intesa Sanpaolo Banka Bosna i Hercegovina](#) (Italian)

Phone: (+387) 33 497 500

Obala Kulina Bana 9a

71000 Sarajevo

[Sberbank BH dd Sarajevo](#) (Russian)

Phone: (+387) 33 295 601

Fra Andjela Zvizdovica 1

71000 Sarajevo

[NLB Razvojna Banka](#) (Slovenian)

Phone: (+387) 51 221 620

Milana Tepica 4, 78000 Banja Luka

## **Protecting Intellectual Property**

### **Intellectual Property Rights**

Companies should consider several general principles for effective management of intellectual property rights (IPR) in BiH. It is important for companies to have a comprehensive IPR protection strategy. IPR is protected differently in BiH than in the United States and rights must be registered and enforced according to local law. U.S. trademark and patent registrations do not protect IPR in BiH.

Bosnia's IPR framework consists of seven laws, adopted and put into force by the BiH Parliament in 2010. This legislation is compliant with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and EU legislation. BiH belongs to over 20 international treaties related to IPR and, in 2009, ratified the 1996 World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performance and Phonograms Treaty. Although existing legislation provides a basic level of protection, BiH's civil and criminal enforcement remains weak.

Jurisdiction over IPR investigations is split between customs officials, entity inspectorates, and state and entity law enforcement agencies, and no institution has specialized IPR investigation teams. IPR crimes are prosecuted primarily at the state level. Cases in which companies are indicted often involve fairly low-level violators. More significant cases have sometimes languished for years with little action from prosecutors or judges.

The entity governments have been using licensed software for a number of years. The state-level government came into compliance in 2009, a significant step forward in the government's commitment to IPR protection. Some of the Cantonal governments continue using unlicensed software. However, some officials still lack understanding of the importance of IPR.

In BiH's private sector, awareness of IPR, particularly the importance of copyright protection, remains low, though the emergence of a local software development industry is helping to raise awareness. Curbing business software piracy could significantly improve the local economy by creating new jobs and generating tax revenue. The failure to recognize the importance of preventing copyright infringement makes software producers and official distributors less competitive and the establishment of a legitimate market more difficult. Businesses in BiH lose an estimated \$15 million annually from the sale of counterfeit software, CDs, and DVDs. According to the Business Software Alliance (BSA), the rate of illegal software installed on personal computers in Bosnia and Herzegovina currently remains at 66 percent, which is the regional average.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so businesses should consider applying for trademark and patent protection prior to introducing their products or services in the BiH market. The U.S. government generally cannot enforce rights for private individuals in BiH. Companies may wish to seek advice from local attorneys who are experts in IPR law.

Collective copyright protection also remains a challenge in Bosnia and Herzegovina. The Association of Composers and Musical Authors is the only licensed collective management organization for music authors in BiH. It faces enforcement challenges, and both members and users remain skeptical and unfamiliar with collective copyright management protection. There is currently no established local representative to collect and distribute royalties for visual artists, filmmakers, and literary authors.

The U.S. Government, in conjunction with local partners, has made IPR awareness within the enforcement community a priority through training and public awareness programs. The U.S. Department of Commerce (DOC) recently conducted a judicial training on intellectual property rights in the Republika Srpska. DOC supports other capacity building for judiciary in intellectual property, including assistance with writing and publishing a judicial bench book and promoting the international arbitration regime in Bosnia.

Bosnia and Herzegovina is not included in the USTR's Special 301 report.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at [www.wipo.int/directory/en/](http://www.wipo.int/directory/en/).

## **Selling to the Public Sector**

### **Selling to the Government**

Government expenditures in BiH are significant and amounted to around 45 percent of GDP in 2019. The scope of government procurements is wide as it includes many government-owned enterprises such as public utilities and service providers for telecommunications, electricity and gas utilities, transportation services, and water supply. Procurement award decisions are often opaque: Transparency International's 2019 Corruption Perception Index ranked Bosnia and Herzegovina at number 101 out of 180 countries.

The BiH [Public Procurement Agency and Procurement Review Body](#) provides information pertaining to public procurement legislation, including procurement notices.

U.S. companies interested in selling to the government are advised to contact U.S. Embassy Sarajevo for additional information about specific procurement opportunities. The Embassy assists U.S. companies exporting to BiH by identifying local opportunities for the sale of U.S. products or services, providing counseling on the market, and meeting the advocacy needs of U.S. firms. In addition, U.S. companies can obtain advocacy support through the [Advocacy Center](#) in Washington, D.C.

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many



forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult [Advocacy for Foreign Government Contracts](#) for additional information.

Many governments finance public works projects through borrowing from Multilateral Development Banks. Please refer to the “Project Financing” section in “Trade and Project Financing” for more information.

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (European Bank for Reconstruction and Development, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders.

## **Project Financing**

International financial institutions including the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB) are the most important sources of project financing for which procurement is open to U.S. bidders.

Multilateral Development Banks and Financing Government Sales. price, payment terms, and financing can be a significant factor in winning a government contract. Many governments finance public works projects through borrowing from the Multilateral Development Banks (MDB). A helpful guide for working with the MDBs is the Guide to Doing Business with the Multilateral Development Banks. The U.S. Department of Commerce’s (USDOC) International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the five different Multilateral Development Banks (MDBs): the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the World Bank.

Learn more by contacting the:

[Commercial Liaison Office to the European Bank for Reconstruction and Development](#)

[Commercial Liaison Office to the World Bank](#)

## **World Bank**

The World Bank has committed \$1.3 billion since 1996 to BiH through 62 projects involving rehabilitation of industries, infrastructure, housing, education, health care, and landmine clearance. These funds have been used to purchase goods and equipment, build infrastructure, and obtain the consulting services needed to implement these projects. World Bank borrowers are required to submit timely notification of bidding opportunities and to advertise these opportunities and expressions of interest.

The [Development Gateway Market \(dgMarket\)](#) is a global online marketplace providing information on donor and government-funded tenders. Currently, dgMarket publishes tender notices for projects funded by the African Development Bank, the Asian Development Bank, Europe Aid, EBRD, European Investment Bank, EU member states, Phare/Tacis, and the World Bank. For more information, contact: [info@dgmarket.com](mailto:info@dgmarket.com).

The United Nations publishes [UN Development Business](#), a website which provides information on business opportunities generated through the World Bank, regional development banks, and other development



agencies. Development Business is available in either print format or by online subscription. For more information contact the Development Business Liaison Office at Phone: (202) 458-2397; Fax: (202) 522-3316 or E-mail: [dbusiness@worldbank.org](mailto:dbusiness@worldbank.org)

### **European Bank for Reconstruction and Development (EBRD)**

With EUR 1.3 billion (\$ 1.62 billion) since 1996 committed toward various projects in the financial, telecommunications, road, railways, and civil aviation sectors, the EBRD is one of the largest lenders in BiH.

#### *Contact Information*

#### [European Bank for Reconstruction and Development \(EBRD\)](#)

Fra Andjela Zvizdovica 1 B-15  
71000 Sarajevo BiH  
Phone: (+387) (33) 667-945

### **European Investment Bank (EIB)**

The [European Investment Bank \(EIB\)](#) has been active in BiH since 2000 and has funded numerous projects in the industry, railways, and road sectors in the amount of EUR 1.1 billion (approximately \$ 1.4 billion). The EIB provides additional information [its projects](#) and [procurement rules](#) online.

### **U.S. Export Import Bank (Ex-Im Bank)**

The [Export-Import Bank of the United States](#) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets. Ex-Im Bank provides working capital guarantees (pre-export financing); export credit insurance (post-export financing); loan guarantees and direct loans (buyer financing). On average, 85 percent of Ex-Im Bank's transactions directly benefit U.S. small businesses. Since October 2002, Ex-Im Bank is open for private sector transactions in BiH and will consider business for short- and medium-term transactions in the private sector.

#### *Contact Information*

#### [Export-Import Bank of the United States](#)

811 Vermont Avenue NW  
Washington, D.C. 20571  
Phone: (202)-565-3477

### **U.S. Trade and Development Agency (USTDA)**

USTDA is an independent U.S. government agency that promotes American private sector participation in developing and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. USTDA helps U.S. businesses compete for infrastructure projects in emerging markets by funding feasibility studies, orientation visits, specialized training grants, and various forms of technical assistance. In the past, USTDA program funds have supported numerous projects in Bosnia in the energy, telecommunications, transportation, and environmental technology sectors.

#### *Contact Information*

[U.S. Trade and Development Agency \(USTDA\): Middle East, North Africa and Europe Region](#)

1000 Wilson Blvd., Suite 1600  
Arlington, VA 22209 USA  
Phone: (703) 875-4357  
Email: [mena\\_europe@ustda.gov](mailto:mena_europe@ustda.gov)

**U.S. International Development Finance Corporation (DFC)**

The United States International Development Finance Corporation (DFC) is the development finance institution of the United States federal government, primarily responsible for providing and facilitating the financing of private development projects in lower- and middle-income countries. First authorized on 5 October 2018, the independent agency was formed 20 December 2019 by merging the Overseas Private Investment Corporation (OPIC) with the Development Credit Authority of the United States Agency for International Development, as well as with several smaller offices and funds. The DFC was also granted greatly expanded lending authority; its overall lending capacity of \$60 billion is more than double that of its predecessor institutions. The DFC's lending capacity is used to provide loans, loan guarantees, and insurance for development projects in lower-income countries undertaken by US businesses. *Contact Information*

U.S. International Development Finance Corporation (DFC)  
1100 New York Avenue, N.W.  
Washington, D.C. 20527, USA  
Phone: (202) 336-8400  
Email: [info@dfc.gov](mailto:info@dfc.gov)

**U.S. Commercial Service Liaison Offices at the Multilateral Development Banks**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the [Commercial Liaison Offices to the European Bank for Reconstruction and Development](#) and the [World Bank](#).

## **Business Travel**

### **Business Customs**

Business customs in BiH remain an amalgam of old socialist-style habits and newly acquired business practices. However, the business culture is changing. Over the past decade the business community has benefited from the presence of many international agencies, foreign investors, and technical assistance programs. This change, most obvious in the largest business and industrial centers, has introduced new management, language, IT

skills, as well as Western-style business practices. Most of today's managers are fluent in English and are completely computer literate.

The exchange of business cards is a common practice. While most business meetings take place in a formal setting, it is not unusual to discuss business over coffee or lunch. An invitation to dinner should never be rejected; it may be a sign of a serious desire to do business. As is the case in many other countries, local companies prefer to do business with people they know well. Business friendships are highly valued. Establishing a local presence and employing locals signal a long-term commitment to the market. Such practices are well received.

### **Travel Advisory**

Before traveling to BiH, U.S. citizens should consult the latest U.S. government travel advisory on the [U.S. State Department's website and the U.S. Embassy Sarajevo Alerts and Messages](#) section of the website. Americans in BiH, visiting or residing, are urged to register with the U.S. Embassy in Sarajevo and enroll in the warden system (emergency alert network) in order to obtain updated information on travel and security.

### **Visa Requirements**

U.S. citizens possessing a valid passport do not need a visa to enter BiH for short-term stays of up to three months while visiting for business or tourism. Foreigners must register with the local police at the nearest police station within 24 hours of arrival; however, hotels will do this automatically for their guests. Registration is free for the first three months, regardless of the purpose of the visit. Stays of longer than three months (education, scientific research, employment, engagement in a professional activity, medical treatment, tourism, other justified reasons, or because of marriage to a BiH citizen) require a temporary resident permit, and visitors must apply for the permit before the end of their initial three months in BiH. Foreigners must state the reason for the extended visit and submit evidence of adequate financial support for the duration of their stay in BiH.

The maximum duration of a temporary residence permit is 12 months, with the possibility of a renewal. The fee is KM 100 or approximately \$60. A police certificate indicating that the applicant has no criminal record is required for this permit and should be obtained from the applicant's state of residence in the United States.

The local field office of the Foreigners' Affairs [Department of the Bosnian Ministry of Security](#) accepts applications for temporary residence permit.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

[U.S. State Department Visa Webpage](#)

[Consular Section at U.S. Embassy Sarajevo](#)

### **Currency**

BiH official currency is the Convertible Mark (KM or BAM). BiH operates a currency board arrangement by which the Bosnian Convertible Mark is pegged to the euro (One Euro = KM 1.958). As a result, the Convertible Mark is one of the most stable currencies in Southeast Europe.

### **Telecommunications/Electronics**

Telecommunications services in BiH are relatively advanced. There are three 900 MHz GSM/3G networks - BH Mobile, m:Tel, and Eronet with solid coverage throughout the country and roaming agreements with most international mobile operators. All mobile operators feature GPRS service. Unfortunately, internet connectivity remains a weak spot. Many hotels do not offer this service, especially outside of Sarajevo, although this is improving.

## **Transportation**

Air transport is the fastest and most reliable connection between Sarajevo and the outside world. However, travelers in winter experience frequent delays and cancellations due to inclement weather, especially fog and smog, at Sarajevo Airport. There are three other functional international airports, but the Sarajevo Airport accounts for over 60 percent of total passenger and cargo traffic in BiH. Passenger traffic through Sarajevo is on the rise, with over 1 million travelers in 2019, a 10 percent increase compared to 2018. Visits by foreign tourists have doubled in the last five years and numbers are projected to continue rising. The other three airports, Banja Luka, Mostar, and Tuzla, have experienced growing passenger traffic, which fluctuates depending on the season. Due to the [COVID19](#) pandemic, read the Department of State's COVID-19 page before you plan any international travel.

Sarajevo International Airport is served by Austrian Airlines, Lufthansa, Croatia Airlines, German Wings, Turkish Airlines, Swiss Air, Adria Airways, Air Serbia, Qatar Airways, flyDubai, Norwegian, Eurowings, AirArabia, Pegasus Airlines, Wizz Air and flyBosnia. Routes connect Sarajevo with Vienna, Munich, Zagreb, Istanbul, Ljubljana, Belgrade, Geneva, Stockholm, Zurich, Cologne, Budapest, Copenhagen, Oslo, Stuttgart, Doha, and Dubai. The airport features a cargo center with a fully equipped customs warehouse to serve the needs of cargo traffic. The other three airports – Banja Luka, Mostar, and Tuzla -- have occasional commercial charter traffic, which can fluctuate depending on the season. The Banja Luka Airport is the only airport in the RS. The airport offers Air Serbia flights to Belgrade five days a week, and Ryanair flies to Memmingen, Brussels-Charleroi, Berlin, and Hahn. Tuzla Airport, located in northeast BiH, about 50 miles from the Serbian border and 34 miles from the Croatian border, only ran sporadic summer charter flights until 2013 when Hungarian budget airline Wizz Air opened daily flights between Tuzla and Malmo (Sweden) and Basel (Switzerland). Since then, Wizz Air has expanded to include flights to and from Tuzla and Goteborg, Dortmund, Stockholm, Eindhoven, Oslo, and Frankfurt. Wizz Air has fueled strong passenger growth over the past two years, with over 600,000 passengers in 2019. Mostar Airport, located in southwest BiH, about 30 miles from the border with Croatia, currently serves only charter flights, handling approximately 90,000 passengers per year. Most of the flights cater to Italian Catholic pilgrims visiting nearby Medjugorje, the site of alleged apparitions of the Virgin Mary to local Catholics in 1981.

BiH's road and railway systems have seen little improvement since the 1992-95 war. There are about 105 kilometers of highway in the entire country, although plans are slowly progressing to complete a north-south corridor that will link Sarajevo to northeastern and southern Croatia (Corridor Vc). Driving time from Sarajevo to either Belgrade or Zagreb is four to five hours, and similar driving time to the coast at Dubrovnik or Split. From Banja Luka, it is a two-and-a-half-hour drive to Zagreb. Rail travel to the neighboring capitals is considerably slower. Car rental service is available from Budget, Hertz, Avis, National, and Europcar as well as other local car-rental companies.

## **Language**

There are three main ethnic groups in BiH: Bosniaks (Muslims), Croats (Roman Catholics), and Serbs (Orthodox). The languages spoken in BiH – Bosnian, Serbian, and Croatian – are mutually understandable. When necessary in a conversation, it is best to refer to the language as “the local language,” or B/C/S.

## **Health**

The water supply in Sarajevo meets World Health Organization standards and, therefore, is not thought to pose a health risk. No lead or bacterial contamination has been found in the tap water in Sarajevo. The local cuisine is very similar to international cuisine and poses no risk. However, fresh vegetables and fruits must be thoroughly washed or peeled before consuming.

Water supply outages have recently affected some parts of Sarajevo. While the city has installed new pipes and pumps in some neighborhoods, it lacks the resources for a comprehensive and much-needed upgrade of the entire system. The effects of illegal construction on the water system further exacerbate the situation.

The drugs found in the pharmacies are usually labeled in the local language but the drugs can still be identified by the generic name. The dosage is measured by the metric system. The following are recommended immunizations for those traveling to BiH: Tetanus, Diphtheria, Measles, Mumps, Rabies, Rubella and Polio vaccines. Typhoid fever vaccine and Hepatitis A and B are recommended for those traveling in rural areas or anticipating extended stays.

Motor vehicle accidents are one of the leading causes of death in BiH. It is strongly recommended to use seatbelts when driving or being driven.

Mines and associated devices were used extensively during the 1992-95 war. While many areas have been cleared of the mines, there is still a significant risk especially near the former confrontation lines. The following advice is given to avoid mines: stay on known safe surfaces, stick to approved routes, do not drive on road shoulders, observe local behavior, and obtain mine information.

Emergency health service is available in most cities. In Sarajevo, the number for emergency service is 124 or 611-111.

## **Local Time, Business Hours, and Holidays**

BiH is in the GMT +1 time zone. Regular business hours are from 8 am to 5 pm; however, most government agencies close at 4 pm. The Federation of BiH and the Republika Srpska observe different holiday schedules. It is recommended to check with the U.S. Embassy regarding local holidays. The Embassy holiday schedule can be found on the [U.S. Embassy Sarajevo's website](#).

Summer break is in full swing during the months of July and August and appointments can be difficult to schedule.

## **Temporary Entry of Materials or Personal Belongings**

Exemption from customs duties is granted for the following:

Various business documents including promotional materials such as brochures, other business and legal documents, blueprints, tender documents, bids, tickets, vouchers, printed forms, photographs, and recordings.

Goods in the personal luggage of travelers including tobacco products (200 cigarettes, or 100 cigarillos, or 250 grams of tobacco per passenger per day), alcoholic beverages (two liters of wine or one liter of alcoholic beverages with the alcohol content above 22 percent), 60 cc/ml of perfume or 250cc/ml of toilet water.

Goods that are being used for commercial/promotional purposes including goods used and/or consumed at trade fairs including samples, printed materials (brochures, catalogs, price lists, photographs, videos, etc.), equipment, machines and other products that are being displayed at trade fairs, and various items of insignificant commercial value.

## **Investment Climate Statement**

### **Executive Summary**

Bosnia and Herzegovina (BiH) is open to foreign investment, but investors must overcome endemic corruption, complex legal and regulatory frameworks and government structures, non-transparent business procedures, insufficient protection of property rights, and a weak judicial system to succeed. Economic reforms to complete the transition from a socialist past to a market-oriented future have proceeded slowly and the country has a

relatively low level of foreign direct investment. According to the BiH Central Bank, FDI in BiH in the first nine months of 2019 amounted to \$505 million. Total FDI in 2018 amounted to \$458 million. According to the World Bank's 2020 Ease of Doing Business Report, BiH is among the least attractive business environments in Southeast Europe, with a ranking of 90 out of 190 global economies. The WB report ranks BiH particularly low for its lengthy and arduous processes to start a new business and obtain construction permits, both issues which have impacted American companies. Before the COVID19 pandemic, BiH's economic growth was expected to gain speed in 2020 before reaching 4% in 2021, backed mainly by consumption and to some extent by public investment. BiH's economy expanded by an estimated 3.0% in 2019, with domestic demand remaining the dominant growth driver.

U.S. investment in BiH is low due to the small market size, relatively low-income levels, distance from the United States, challenging business climate, and the lack of investment opportunities. Most U.S. companies in BiH are represented by small sales offices that are concentrated on selling U.S. goods and services, with minimal longer-term investments in BiH. U.S. companies with offices in BiH include major multinational companies and market leaders in their respective sectors, such as Coca-Cola, Microsoft, Cisco, Oracle, Pfizer, McDonalds, Marriott, Caterpillar, Johnson&Johnson, FedEx, UPS, Philip Morris, KPMG, Price WaterHouse Coopers and others. Nonetheless, BiH offers business opportunities to well-prepared and persistent exporters and investors. Companies who have managed to overcome the challenges of establishing a presence in BiH have often made a return on their investment over time. A major U.S. investment fund was able to enter the market with a regional investment in 2014 and exit its majority position in 2019 with a good return. There is an active international community and many reform efforts to improve the business climate as BiH pursues eventual European Union membership. The country is open to foreign investment and offers a liberal trade regime and simplified tax structure (17 percent VAT and 10 percent flat income tax). BiH is actively pursuing World Trade Organization membership and hopes to join that organization in the near future. It is also richly endowed with natural resources, providing potential opportunities in energy (hydro and thermal power plants), agriculture, timber, and tourism. The best business opportunities for U.S. exporters to BiH include energy generation and transmission equipment, telecommunication and IT equipment and services, transport infrastructure and equipment, engineering and construction services, medical equipment, and raw materials and chemicals for industrial processing. In 2019, U.S. exports to BiH totaled \$394 million, a 3.6 percent increase from 2018, and held a 3.4 percent share of total BiH imports. BiH exports to the United States in 2019 totaled \$30.5 million. U.S. exports to BiH are primarily in the areas of raw materials for industrial processing, food and agricultural products, machinery and transport equipment, and mineral fuels.

Measure	Year	Index/Rank	Website
<b>TI Corruption Perceptions Index</b>	2019	101 of 180	<a href="http://www.transparency.org/research/cpi/overview">www.transparency.org/research/cpi/overview</a>
<b>World Bank's Doing Business Report "Ease of Doing Business"</b>	2020	90 of 190	<a href="http://www.doingbusiness.org/rankings">www.doingbusiness.org/rankings</a>
<b>Global Innovation Index</b>	2019	77 of 128	<a href="https://www.globalinnovationindex.org/home">https://www.globalinnovationindex.org/home</a>
<b>U.S. FDI in BiH</b>	2019	USD \$250 million	Estimated
<b>World Bank GNI per capita</b>	2018	USD \$5,740	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## **Openness To, and Restrictions Upon, Foreign Investment**

### **Policies Towards Foreign Direct Investment**

Bosnia and Herzegovina struggles to attract foreign investment. Complex labor and pension laws, the lack of a single economic space, and inadequate judicial and regulatory protections deter investment. Under the BiH constitution, established through the Dayton Accords that ended the 1990s war, Bosnia and Herzegovina (henceforth “the state”) is divided into two “entities,” the Federation of BiH (the Federation) and the Republika Srpska (RS). A third, smaller area, the Brčko District, operates under a separate administration. The Federation is further divided into ten cantons, each with its own government and responsibilities. There are also 143 municipalities in BiH: 63 in the RS and 80 in the Federation. As a result, BiH has a multi-tiered legal and regulatory framework that can be duplicative and contradictory, and is not conducive to attracting foreign investors.

Employers bear a heavy burden toward governments. They must contribute 69 percent on top of wages in the Federation and 52 percent in the RS to the health and pension systems. The labor and pension laws are also deterrents to investment, though both are being reformed to decrease burdens on employers. While corporate income taxes in the two entities and Brčko District are now harmonized at 10 percent, entity business registration requirements are not harmonized. The RS has its own registration requirements, which apply to the entire entity. Each of the Federation’s ten cantons has different business regulations and administrative procedures affecting companies. Simplifying and streamlining this framework is essential to improving the investment climate. The EU Reform Agenda targets changes that should improve the investment climate by clarifying and simplifying regulation and procedures while decreasing fees faced by businesses at the entity, canton, and municipal levels.

Generally, BiH’s legal framework does not discriminate against foreign investors. However, given the high level of corruption, foreign investors can be at a significant disadvantage in relation to entrenched local companies, especially those with formal or informal backing by BiH’s various levels of government.

The Foreign Investment Promotion Agency (FIPA) is a state-level organization mandated by the Council of Ministers to facilitate and support FDI ([www.fipa.gov.ba](http://www.fipa.gov.ba)). FIPA provides data, analysis, and advice on the business and investment climate to foreign investors. All FIPA services are free of charge.

BiH does not maintain an ongoing, formal dialogue with foreign investors. Sporadically, high-ranking government officials give media statements inviting foreign investments in the energy, transportation, and agriculture industries; however, the announcements are rarely supported by tangible, commercially-viable investment opportunities.

### **Limits on Foreign Control and Right to Private Ownership and Establishment**

According to the Law on the Policy of FDI, foreign investors are entitled to invest in any sector of the economy in the same form and under the same conditions as those defined for local residents. There are two exceptions: the defense industry and some areas of publishing and media where foreign ownership is restricted to 49 percent, and electric power transmission, which is closed to foreign investment. In practice, additional sectors are dominated by government monopolies (such as airport operation), or characterized by oligopolistic market structures (such as telecommunications and electricity generation), making it difficult for foreign investors to engage. There have been no significant privatizations of government-owned enterprises in the past few years.

### **Other Investment Policy Reviews**



In the past three years, the BiH government has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD); the World Trade Organization (WTO); or the United Nations Conference on Trade and Development (UNCTAD).

### **Business Facilitation**

Establishing a business in BiH can be an extremely burdensome and time-consuming process for investors. The World Bank estimates there are an average of 13 procedures (actual number depends on the type of business), taking a total of 81 days, to register a new business in the capital city of Sarajevo. Registration in BiH can sometimes be expedited if companies retain a local lawyer to follow up at each step of the process. In 2013, the RS established a one-stop shop for business registration in the entity. On paper, this dramatically reduced the time required to register a business in the RS, bringing the government-reported time to register a company down to an average of 7 to 14 days. Some businesses, however, report that in practice it can take significantly longer.

The entity, cantonal, and municipal levels of government each establish their own laws and regulations on business operations, creating redundant and inconsistent procedures that enable corruption. It is often difficult to understand all the laws and rules that might apply to certain business activities, given overlapping jurisdictions and the lack of a central information source. It is therefore critical that foreign investors obtain local assistance and advice. Investors in the Federation may register their business as a branch in the RS and vice versa.

The most common U.S. business presence found in BiH are representative offices. A representative office is not considered to be a legal entity and its activities are limited to market research, contract or investment preparations, technical cooperation, and similar business facilitation activities. The BiH Law on Foreign Trade Policy governs the establishment of a representative office. To open a representative office, a company must register with the Registry of Representative Offices, maintained by the BiH Ministry of Foreign Trade and Economic Affairs (MoFTER) and the appropriate entity's ministry of trade.

Additional English-language information on the business registration process can be found at:

BiH Ministry of Foreign Trade & Economic Relations (MoFTER):

Ph: +387-33-220-093

[www.mvteo.gov.ba](http://www.mvteo.gov.ba)

BiH Foreign Investment Promotion Agency (FIPA):

Ph: + 387 33 278 080

[www.fipa.gov.ba](http://www.fipa.gov.ba)

[Republika Srpska Company Registration Website:](http://www.investsrpska.net)

<http://www.investsrpska.net>

### **Outward Investment**

The government does not restrict domestic investors from investing abroad. There are no programs to promote or incentivize outward investment.

### **Bilateral Investment Agreements and Taxation Treaties**

BiH has signed or ratified 42 investment agreements with the following countries: Albania, Austria, Belgium, Belarus, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Netherlands, Hungary, India, Iran, Italy, Jordan, Kuwait, Lithuania, Luxembourg, Macedonia, Malaysia, Moldova, Montenegro,

Netherlands, Pakistan, Portugal, Qatar, Romania, Serbia, Libya, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UAE, Ukraine, and the United Kingdom.

BiH has neither a bilateral investment treaty nor a bilateral income tax treaty with the United States.

BiH is designated as a beneficiary country under the United States Generalized System of Preferences (GSP) program through December 31, 2020. Between 2013 and 2019, BiH exported to the U.S. over \$50 million worth of goods eligible for the GSP program.

The Interim Agreement on Trade and Trade-related matters (IA) between the European Union (EU) and Bosnia and Herzegovina is currently in force. According to the IA, all goods of BiH origin that fulfill EU technical standards and conditions can be imported to all EU countries without any quantitative restrictions and without paying customs or other similar duties. Only sugar, wine, fish, and baby beef are subject to specific quotas, beyond which duties are to be paid by Bosnia and Herzegovina for export to the EU. Since 2009, import tariffs have been eliminated for more than 11,000 products that BiH imports from the EU.

In December 2016, BiH and the EU signed the Protocol on Trade to the Stabilization and Association Agreement (SAA), which adapted the previously signed SAA to reflect Croatia's 2013 accession to the EU. The adapted SAA provided for unlimited, duty-free access for BiH fruits and vegetables under the Autonomous Trade Measures for Western Balkan countries, and opened higher quotas for fish, wine, sugar, and baby beef exports from BiH to the EU market. On the other side, BiH established duty-free quotas for sugar, cigarettes, beef, pork, milk, poultry products, and potatoes imported from the EU. BiH is a "potential candidate" for EU membership. The country responded to two rounds of questions from the EU and expects to receive the official EU Opinion on next steps towards EU candidate status in 2019.

## **Legal Regime**

### **Transparency of the Regulatory System**

The government has adequate laws to foster competition; however, due to corruption, laws are often not implemented transparently or efficiently. The multitude of state, entity, cantonal (in the Federation only), and municipal administrations – each with the power to establish laws and regulations affecting business – creates a heavily bureaucratic, non-transparent system. Ministries and/or regulatory agencies are not typically obligated to publish the text of proposed regulations before they are enacted. Some local and international companies have expressed frustration with generally limited opportunities to provide input and influence/improve draft legislation that impacts the business community.

Foreign investors have criticized government and public procurement tenders for a lack of openness and transparency. Dispute resolution is also challenging as the judicial system moves slowly, often does not adhere to existing deadlines, and provides no recourse if the company in question re-registers under a different name.

In an effort to promote the growth of business in its entity, the Republika Srpska government passed a series of amendments in 2013 to create an RS one-stop-shop for business registration. This institution centralizes the process of registering a business, ostensibly making it easier, faster, and cheaper for new business owners to register their companies in the RS. The Federation's announced plans to establish a one-stop-shop have long been delayed.

Businesses are subject to inspections from a number of entity and cantonal/municipal agencies, including the financial police, labor inspectorate, market inspectorate, sanitary inspectorate, health inspectorate, fire-fighting inspectorate, environmental inspectorate, institution for the protection of cultural monuments, tourism and food inspectorate, construction inspectorate, communal inspectorate, and veterinary inspectorate.

Some investors have complained about non-transparent fees levied during inspections, changing rules and regulations, and an ineffective appeals process to protest these fines.

### **International Regulatory Considerations**

BiH is not a part of the EU, the WTO, or a signatory to the TFA.

### **Legal System and Judicial Independence**

BiH has a clogged court system and it often takes several years for a case to be brought to trial. Moreover, commercial cases with subject matter that judges do not have experience adjudicating, such as intellectual property cases, are often left unresolved for lengthy periods of time. Most judges have little to no in-depth knowledge of adjudicating international commercial disputes and require training on applicable international treaties and laws. Regulations or enforcement actions can be appealed, and appeals are adjudicated in the national court system.

The U.S. Government has provided training to judges, trustees, attorneys, and other stakeholders at the state and entity levels to assist in the development of bankruptcy and intellectual property rights laws. Those laws are now in effect at both the entity and state levels, but have not been fully implemented.

### **Laws and Regulations on Foreign Direct Investment**

The state-level Law on the Policy of Foreign Direct Investment accords foreign investors the same rights as domestic investors and guarantees foreign investors national treatment, protection against nationalization/expropriation, and the right to dispose of profits and transfer funds. In practice, most business sectors in Bosnia and Herzegovina are fully open to foreign equity ownership. Notable exceptions to this general rule are select strategic sectors, such as defense; electric power transmission, which is closed to foreign investment; and some areas of publishing and media, where foreign ownership is restricted to 49 percent (see below). However, an Entity Government may decide that companies normally subject to this limitation are not subject to restrictions.

According to legal amendments adopted in March 2015, foreign investors can now own more than 49 percent of capital business entities dealing with media activities, such as publishing newspapers, magazines and other journals, publishing of periodical publications, production and distribution of television programs, privately owned broadcasting of radio and TV programs, and other forms of daily or periodic publications. The new law maintains the restriction that foreign investors cannot own more than 49 percent of public television and radio services. The March 2015 amendments also set conditions to enhance legal security and clarity for foreign direct investment flows. The Foreign Investment Promotion Agency maintains a list of laws relevant to investors on its website:

[http://www.fipa.gov.ba/publikacije\\_materijali/zakoni/default.aspx?id=317&langTag=en-US](http://www.fipa.gov.ba/publikacije_materijali/zakoni/default.aspx?id=317&langTag=en-US)

The complex legal environment in BiH underlines the utility of local legal representation for foreign investors. Bosnian attorneys' experience base is still limited with respect to legal questions and the issues that arise in a market-oriented economy. However, local lawyers are quickly gaining experience in working with international organizations and companies operating in BiH. Companies' in-house legal counsel should be prepared to oversee their in-country counsel, with explicit explanations and directions regarding objectives. The U.S. Embassy maintains a list of local lawyers willing to represent U.S. citizens and companies in BiH. The list can be accessed at <https://ba.usembassy.gov/u-s-citizen-services/attorneys/>

### **Competition and Anti-Trust Laws**

BiH has a Competition Council, designed to be an independent public institution to enforce anti-trust laws, prevent monopolies, and enhance private sector competition. The Council reviews and approves foreign investments in cases of mergers and acquisitions of local companies by foreign companies. The Competition Council consists of six members appointed for six-year terms of office with the possibility of one reappointment. The BiH Council of Ministers appoints three Competition Council members, the Federation Government appoints two members, and the RS Government appoints one member. From the six-member Competition Council, the BiH Council of Ministers affirms a president of the Council for a one-year term without the possibility of reappointment.

### **Expropriation and Compensation**

BiH investment law forbids expropriation of investments, except in the public interest. According to Article 16, "Foreign investment shall not be subject to any act of nationalization, expropriation, requisition, or measures that have similar effects, except where the public interest may require otherwise." In such cases of public interest, expropriation of investments would be executed in accordance with applicable laws and regulations, be free from discrimination, and include payment of appropriate compensation. Neither the entity governments nor the state government have expropriated any foreign investments to date.

### **Dispute Settlement**

#### *ICSID Convention and New York Convention*

BiH is a signatory of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). Bosnia and Herzegovina is a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID), also known as the Washington Convention.

#### *Investor-State Dispute Settlement*

Over the last decade, there have been two cases of legal disputes involving U.S. investors and the local government. While efforts are being made to improve BiH's commercial court system, its current capacity and practical inefficiencies limit timely resolution of commercial disputes.

#### *International Commercial Arbitration and Foreign Courts*

BiH has been a member of the International Center for the Settlement of Investment Disputes since 1997. BiH does not have a Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA) with the United States. It accepts international arbitration to settle private investment disputes if the parties outline this option in a contract.

The only domestic arbitration body in BiH, the Arbitration Court of the BiH Foreign Trade Chamber, is an inexperienced institution. It needs updated and modernized laws and regulations to comply with international norms and standards. The Arbitration Court would benefit from licensed and trained arbitrators. Domestic arbitration legislation is encompassed within the Civil Procedure Code and is not currently modeled on internationally accepted regulations. As for the legislation, arbitration is generally poorly addressed. Namely, there are few provisions in the entities' laws that regulate litigation procedures, which are the legal basis for parties in dispute to entrust the dispute to arbitration. There is no legislation that is modelled on internationally accepted regulations, such as the model law of the United Nations Commission on International Trade Law (UNCITRAL).

### **Bankruptcy Regulations**

Both the Federation and Republika Srpska entities have Laws on Bankruptcy. However, bankruptcy proceedings are not resolved in a timely manner, and there is insufficient emphasis placed on companies' rehabilitation and/or reorganization. The entities' laws define the rights of creditors, equity shareholders, and holders of other financial contracts. Foreign contract holders enjoy the same rights as local contract holders. Bankruptcy is not criminalized. The U.S. Government provided recent training to judges on international bankruptcy principles.

## **Industrial Policies**

### **Investment Incentives**

There are some incentives for foreign direct investment, including exemptions from payment of customs duties and customs fees. Bosnia and Herzegovina is divided into three jurisdictions for direct tax purposes: the Federation, the RS, and the Brčko District.

In the Federation, RS, and Brčko District, the corporate income tax allows offsetting of losses against profits over a five-year period. The corporate tax rate is 10 percent across the state. Foreign investors can open bank accounts in all jurisdictions and transfer their profits abroad without any restrictions. The rights and benefits of foreign investors granted and obligations imposed by the Law on the Policy of Foreign Direct Investment cannot be terminated or overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favorable to foreign investors, the investor has the right to choose the most beneficial regulations.

In addition to the BiH-wide incentives listed above, the two entities and the Brčko District have specific incentives. In the Brčko District, investments in fixed assets are subject to tax relief.

In the Federation:

A taxpayer who invests KM 20 million (approx. \$12 million) over a period of five years is exempted from paying corporate income tax for the period of five years beginning from the first investment year, in which a minimum KM 4 million (approx. \$2.5 million) must be invested, shall have reduced the obligations of the calculated income tax for 50 percent of the amount in the year of investment. A taxpayer that does not make the prescribed investment in the period of five years loses the right of tax exemption. In that case, unpaid corporate income tax is determined in accordance with the provisions of the Law on Corporate Income Tax augmented with a penalty interest payable for untimely paid public revenues.

Qualifying investments include fixed assets such as real estate, plants, and equipment for carrying out production activity. A taxpayer loses the right to tax exemption if the corporation makes a dividend payment during first three years of investment. A taxpayer whose workforce is more than 50 percent disabled persons and persons with special needs in any given year are exempted from paying corporate income tax. The exemption applies to the applicable year in which disabled persons and persons with special needs met the required threshold. Employees must have been with the company for longer than one year to be considered.

In the Republika Srpska:

In its Amendments to the Law on Profit Tax, the RS reduced taxes on investments in equipment intended for company production and investment in plants and immovable property used for manufacturing and processing.

For employers with at least 30 workers during a calendar year, there is a tax base reduction in personal income tax and mandatory employer contribution of the employer. Employees must be officially listed with the RS Employment Office.

The 2012 RS Decree on Conditions and Implementation of the Investment and Employment Support Program (Official Gazette of RS No. 70/12) also established incentives meant to encourage and support direct investments, employment growth, and transfer of new knowledge and technologies. To qualify for the incentives, participants must have existing investment projects in the RS manufacturing sector, a minimum investment value of KM 2 million (\$1.2 million), and new employment for at least 20 workers. The total funding awarded is proportional to the investment value, the number of newly employed, and the development level of the investment location.

In early 2015, the RS government passed the Law on Property Tax, which imposes a flat rate for property taxes in all municipalities; the Law on Income Tax, which exempts dividends and profit shares from taxation; the Law on Corporate Income Tax, which broadens the scope of deductible expenses and harmonizes taxes for foreign investors; and the Law on Contributions, which decreases tax contributions employers pay on salaries by 1.4 percent.

### **Foreign Trade Zones/Free Ports/Trade Facilitation**

The BiH Law on Free Trade Zones allows the establishment of free trade zones (FTZs) as part of the customs territory of BiH. Currently there are four free trade zones in BiH: Vogošća, Visoko, Herzegovina-Mostar, and Holc Lukavac. One or more domestic or foreign legal entities registered in BiH may create an FTZ.

FTZ users do not pay taxes and contributions, with the exception of those related to salaries and wages. Investors are free to invest capital in the FTZ, transfer their profits, and retransfer capital. Customs and tariffs are not paid on imports into FTZs. FTZ is considered economically justified if the submitted feasibility study and other evidence can prove that the value of goods exported from a free zone will exceed at least 50 percent of the total value of manufactured goods leaving the free zone within the period of 12 months.

### **Performance and Data Localization Requirements**

BiH government does not have a “forced localization” policy in which foreign investors must use domestic content or sourcing in goods, human capital, or technology. Also, there are no requirements for foreign IT providers to turn over source code and/or provide access to surveillance. There are no mechanisms in place used to enforce rules on maintaining a certain amount of data storage within the country.

### **Protection of Property Rights**

#### **Real Property**

The 2020 World Bank Doing Business Report ranked BiH at number 96 out of 190 in the ease of registering property, which takes 7 procedures and an average of 35 days. Registration of real property titles is generally acknowledged as a significant barrier to the real property and mortgage market development. The present system consists of separate geodetic administrations for the Federation and the RS, which are responsible for real property cadasters. Real property cadasters describe and certify the legal object, e.g. land, house, etc. Separately, the land registry establishes legal ownership and rights for the specific object and is maintained by the municipal courts. A significant portion of land and real estate property does not have a clear title due to restitution issues. Foreigners must register a local company to purchase property; the company then makes the purchase and is recorded as the landowner. The exception to this rule is if the foreigners’ country of citizenship has a reciprocal land ownership agreement with BiH. In that case, the foreigner may directly own land.

## Intellectual Property Rights

Companies should consider several general principles for effective management of intellectual property rights (IPR) in BiH. It is important for companies to have a comprehensive IPR protection strategy. IPR is protected differently in BiH than in the United States and rights must be registered and enforced according to local law. U.S. trademark and patent registrations do not protect IPR in BiH.

Bosnia's IPR framework consists of seven laws, adopted and put into force by the BiH Parliament in 2010. This legislation is compliant with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and EU legislation. BiH belongs to over 20 international treaties related to IPR and, in 2009, ratified the 1996 World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performance and Phonograms Treaty. Although existing legislation provides a basic level of protection, BiH's civil and criminal enforcement remains weak.

Jurisdiction over IPR investigations is split between customs officials, entity inspectorates, and state and entity law enforcement agencies, and no institution has specialized IPR investigation teams. IPR crimes are prosecuted primarily at the state level. Cases in which companies are indicted often involve fairly low-level violators. More significant cases have sometimes languished for years with little action from prosecutors or judges.

The entity governments have been using licensed software for a number of years. The state-level government came into compliance in 2009, a significant step forward in the government's commitment to IPR protection. Some of the Cantonal governments continue using unlicensed software. However, some officials still lack understanding of the importance of IPR.

In BiH's private sector, awareness of IPR, particularly the importance of copyright protection, remains low, though the emergence of a local software development industry is helping to raise awareness. Curbing business software piracy could significantly improve the local economy by creating new jobs and generating tax revenue. The failure to recognize the importance of preventing copyright infringement makes software producers and official distributors less competitive and the establishment of a legitimate market more difficult. Businesses in BiH lose an estimated \$15 million annually from the sale of counterfeit software, CDs, and DVDs. According to the Business Software Alliance (BSA), the rate of illegal software installed on personal computers in Bosnia and Herzegovina currently remains at 66 percent, which is the regional average.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so businesses should consider applying for trademark and patent protection prior to introducing their products or services in the BiH market. The U.S. government generally cannot enforce rights for private individuals in BiH. Companies may wish to seek advice from local attorneys who are experts in IPR law.

Collective copyright protection also remains a challenge in Bosnia and Herzegovina. The Association of Composers and Musical Authors is the only licensed collective management organization for music authors in BiH. It faces enforcement challenges, and both members and users remain skeptical and unfamiliar with collective copyright management protection. There is currently no established local representative to collect and distribute royalties for visual artists, filmmakers, and literary authors.

The U.S. Government, in conjunction with local partners, has made IPR awareness within the enforcement community a priority through training and public awareness programs. The U.S. Department of Commerce (DOC) recently conducted a judicial training on intellectual property rights in the Republika Srpska. DOC supports other capacity building for judiciary in intellectual property, including assistance with writing and publishing a judicial bench book and promoting the international arbitration regime in Bosnia.

Bosnia and Herzegovina is not included in the USTR's Special 301 report.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at [www.wipo.int/directory/en/](http://www.wipo.int/directory/en/).

## **Financial Sector**

### **Capital Markets and Portfolio Investment**

Capital markets remain underdeveloped in BiH. Both entities have created their own modern stock market infrastructure with separate stock exchanges in Sarajevo (SASE) and Banja Luka (BLSE), both of which started trading in 2002. The small size of the markets, lack of privatization, weak shareholder protection, and public mistrust of previous privatization programs has impeded the development of the capital market. During the global economic crisis, foreign investment dwindled and investors saw previous gains dissipate on both exchanges. Foreign investment has shown few signs of growth since 2008, shaped not only by the global financial crisis but also by BiH's lack of political stability and slowdown of reforms.

Both the RS and Federation issued government securities for the first time during 2011, as part of their plans to raise capital in support of their budget deficits during this period of economic stress. Both entity governments continue to issue government securities in order to fill budget gaps. These securities are also available for secondary market trading on the stock exchanges.

On August 21, 2020, rating agency Moody's Investors Service has affirmed sovereign credit rating on Bosnia and Herzegovina at „B3 with stable outlook “. The international rating agency Standard and Poor's (S&P) revised the credit rating of Bosnia and Herzegovina on April 30, 2020, to “B” with a stable outlook. The outlook revision is primarily based on the substantial deterioration in global economic and financial conditions as a result of the COVID-19 pandemic. The agency noted that the stable outlook balances the risks associated with the COVID-19 pandemic's effect on Bosnia's economy and fiscal and external metrics against the upside potential from implementing structural reforms and our expectation of stronger economic growth beyond 2020, it commented. The credit rating agency expects that the country's real GDP will fall 5% in 2020, with fiscal and external performance also set to plummet. Fiscal performance is a major contributor to credit rating, as the general government net debt is expected to remain below 30 % of GDP and to have a favorable maturity structure. The quality of banking regulations was also positively evaluated. Positive outlook reflects the potential for BH's authorities to continue with structural reforms and to agree to a funded arrangement with the International Monetary Fund (IMF) over the next 6 -12 months. Reforms, according to analysts' expectations, could include reducing the labor cost burden on business and enhancing governance of the country's state-owned enterprise sector. BiH's ratings could be lowered over the next 12 months in case the economic and budgetary cost of the pandemic are materially higher than the current projection, which would put the public debt burden sustainability at risk.

### **Money and Banking System**

The banking and financial system has been stable with the most significant investments coming from Austria. As of March 2020, there are 23 commercial banks operating in BiH: 15 with headquarters in the Federation and 8 in the Republika Srpska. Twenty-two commercial banks are members of a deposit insurance program, which provides for deposit insurance of KM 50,000 (\$28,000). The banking sector is divided between the two entities with entity Banking Agencies responsible for banking supervision. The BiH Central Bank defines and controls the implementation of monetary policy (via its currency board) and supports and maintains payment and settlement systems. It also coordinates the activities of the entity Banking Agencies,



which are in charge of bank licensing and supervision. Reforms of the banking sector, mandated by the IMF and performed in conjunction with the IMF and World Bank, are in progress.

BiH passed a state-level framework law in 2010 mandating the use of international accounting standards, and both entities passed legislation that eliminated differences in standards between the entities and Brčko District. All governments have implemented accounting practices that are fully in line with international norms.

## **Foreign Exchange and Remittances**

### *Foreign Exchange*

The Law on Foreign Direct Investment guarantees the immediate right to transfer and repatriate profits and remittances. Local and foreign companies may hold accounts in one or more banks authorized to initiate or receive payments in foreign currency. The implementing laws in both entities include transfer and repatriation rights. The Central Bank's adoption of a currency board in 1997 guarantees the local currency, the convertible mark or KM (aka BAM), is fully convertible to the euro with a fixed exchange rate of KM 1.95583 = €1.00.

### *Remittance Policies*

BiH has no remittance policy, although remittances are generally high due to a large diaspora. Remittances are estimated to range up to 15 percent of total GDP. Based on the two entities' Laws on Foreign Currency Exchange, all payments in the country must be in national currency.

### *Sovereign Wealth Funds*

BiH does not have a government-affiliated Sovereign Wealth Fund.

## **State-Owned Enterprises**

In BiH, subnational governments own the vast majority of government-owned companies: the two entities and ten cantons. Private enterprises can compete with state-owned enterprises (SOEs) under the same terms and conditions with respect to market share, products/services, and incentives. In practice, however, SOEs have the advantage over private enterprises, especially in sectors such as telecommunications and electricity, where government-owned enterprises have traditionally held near-monopolies and are able to influence regulators and courts in their favor. Generally, government-owned companies are controlled by political parties, increasing the possibilities for corruption and inefficient company management. With the exception of SOEs in the telecom, electricity, and defense sectors, many of the remaining public companies are bankrupt or on the verge of insolvency, and represent a growing liability to the government.

The country is not party to the Government Procurement Agreement within the framework of the WTO.

## **Privatization Program**

There have been no significant privatizations in the past few years. Privatization offerings are scarce and often require unfavorable terms. Some formerly successful state-owned enterprises have accrued significant debts from unpaid health and pension contributions, and potential investors are required to assume these debts and maintain the existing workforce. Under the state-level FDI Law, foreign investors may bid on privatization tenders. International financial organizations, such as the European Bank for Reconstruction and Development (EBRD) are seeking to be engaged on privatization and restructuring efforts across the remaining portfolio of state-owned enterprises. Historically, the privatization process in BiH has resulted in economic loss due to corruption. From 1999 to 2015, more than 1,000 companies were fully privatized, while around 100 were partially privatized. The bad privatizations led to the loss of value of state property and many of the privatized

companies were weakened or ruined in the privatization process. The history of corrupt privatizations has resulted in a public view that privatization just leads to unemployment and the enrichment of a few politically connected individuals. Well-done privatizations and restructurings that improve service delivery, business productivity, and employment would be very beneficial for the BiH economy, could help the image of privatization, and would build support for a long overdue shift away from a government-led economy.

The Federation government is focused on privatizing or restructuring some SOEs based on the Federation Agency for Privatization's 2019 privatization plan. The privatization plan includes the fuel retailer Energopetrol dd. Sarajevo, the engineering company Energoinvest, the aluminum smelter Aluminij Mostar and the insurer Sarajevo-Osiguranje. In 2016, the Federation Government sold its stake in the Sarajevo Tobacco Factory (39.9 percent stake), and BiH's largest pharmaceutical company, Bosnalijek (19 percent stake). The remaining companies listed in the privatization plan have posted losses and suffered significant declines in their value, while others have only a small amount of government ownership. The Federation government rejected media speculation that it plans to privatize the two-majority government-owned telecom companies, BH Telecom (90 percent stake) and HT Mostar (50.1 percent stake). At the same time, it has completed due diligence on the two telecom companies as part of its arrangement with the IMF.

The privatization process in the RS is carried out by the RS Investment Development Bank (IRBRS). Many prospective companies have been already privatized, and out of 163 not yet privatized companies, many are being liquidated or undergoing bankruptcy. In 2016, the RS government announced plans to sell its capital in 22 companies but the plan has not been implemented yet. The plan envisions the privatizations to take place via the sale of government shares on the stock exchange. Although the RS National Assembly passed a decision that the entity has no plans to privatize the energy sector, the RS government maintains the possibility of joint ventures in the energy sector.

### **Responsible Business Conduct**

Foreign and local companies conduct some corporate social responsibility activities and there is a general awareness of standards for responsible business conduct. More could be done in this area to respond to BiH's various social and economic needs. In general, consumers tend to view favorably companies that initiate and carry out charitable activities in the local market. Corporate governance is not part of the broader economic mindset, and shareholder protection is not a priority. The financial system is not yet developed enough to understand and apply principles of corporate governance and shareholder protection. The local American Chamber of Commerce (AmCham) has recently set up an Ethics and Compliance Committee to raise awareness about responsible business conduct and make it a more routine part of doing business in BiH.

### **Corruption**

Corruption remains prevalent in many political and economic institutions in Bosnia and Herzegovina and raises the costs and risks of doing business. BiH's overly complex business registration and licensing process is particularly vulnerable to corruption. The multitude of state, entity, cantonal, and municipal administrations, each with the power to establish laws and regulations affecting business, creates a system that lacks transparency and opens opportunities for corruption via parafiscal fees. Paying bribes to obtain necessary business licenses and construction permits, or simply to expedite the approval process, occurs regularly. Foreign investors have criticized government and public procurement tenders for a lack of openness and transparency.

Transparency International's (TI) 2019 Corruption Perception Index ranked BiH 101 out of 180 countries. According to TI, relevant institutions lack the will to actively fight corruption; law enforcement agencies and the judiciary are not effective in the prosecution of corruption cases and are visibly exposed to political pressures; and prosecutors complain that citizens generally do not report instances of corruption and do not

want to testify in these cases. In 2011, BiH established a state level agency to prevent and coordinate efforts to combat corruption; while officially active, the agency has shown limited results.

Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It deters foreign investment, stifles economic growth and development, distorts prices, and undermines the rule of law. U.S. companies must carefully assess the business climate and develop an effective compliance program and measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms should take the time to become familiar with the relevant anticorruption laws of both BiH and the United States in order to properly comply, and where appropriate, seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, and uphold obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies.

U.S. firms should become familiar with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

The U.S. Department of Commerce offers a number of services to aid U.S. businesses. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting due diligence when choosing business partners or agents overseas and provide support for qualified U.S. companies bidding on foreign government contracts. For a list of U.S. Foreign and Commercial Service offices, please visit the Commercial Service website: [www.trade.gov/cs](http://www.trade.gov/cs)

Alleged corruption by foreign governments or competitors can be brought to the attention of appropriate U.S. government officials, including U.S. Embassy personnel or through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at:

[https://tcc.export.gov/Report a Barrier/index.asp](https://tcc.export.gov/Report_a_Barrier/index.asp)

Contact at government agency or agencies responsible for combating corruption:

BiH Agency for the Prevention of Corruption and Coordination of the Fight against Corruption

Phone: +387 57 322 540

email: [kontakt@apik.ba](mailto:kontakt@apik.ba)

[www.apik.ba](http://www.apik.ba)

Contact at "watchdog" organization (international, regional, local or nongovernmental organization operating in the country/economy that monitors corruption):

Transparency International BiH

Phone: +387 51 216928

Fax: +387 51 216369

email: [info@ti-bih.org](mailto:info@ti-bih.org)

[www.ti-bih.org](http://www.ti-bih.org)

BiH signed and ratified the UN Anticorruption Convention in October 2006. BiH is also party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

## **Political and Security Environment**

The war in Bosnia and Herzegovina ended with the Dayton Peace Accords in November 1995. There have been no attacks targeting foreign investments. However, there are still risks from occasional, localized political and criminal violence. In mid-June 2013 and early 2014, large groups of citizens protested the country's economic stagnation and the government's apparent inability to improve the situation. The vast majority of protests were peaceful with relatively small numbers of participants, but some protests in Sarajevo, Mostar, and Tuzla resulted in attacks on government buildings, destruction of government property, and injuries. There were no reports of foreign investors being directly targeted in the protests.

## **Labor Policies and Practices**

BiH has a workforce with low labor costs by Western standards, and university enrollments have been increasing for a number of years. However, several sectors such as construction, information technology, and health care have experienced a significant loss of skills over the past decade due to a lack of education and job training opportunities, as well as emigration. Mandatory contributions on labor are high, discouraging employment of new workers and increasing incentives for unregistered employment.

Each entity has its own pension and health care systems, and the systems are not harmonized. Companies working in both entities have two sets of rules to follow related to employment, wages, and contributions. Employees and employers share the costs of health care, pension, and unemployment insurance in the Federation while in the Republika Srpska employers cover all of these costs, as well as childcare and unemployment contributions. Many employers underreport their labor force to avoid paying taxes and benefits, creating a significant gray market. The official rate of registered unemployment according to the BiH Statistical Agency was approximately 32.6 percent in January 2020, while the BiH Statistics Agency's Labor Force Survey suggests the total unemployment rate was 15.7% in 2019. However, unemployment based on the International Labor Organization (ILO) definition, which factors in unregistered workers in the "gray economy," was approximately 20.5 percent, and estimates the share of informal employment in total employment was 30% in 2019. The youth unemployment rate was 33.8 percent in 2019. The majority of unemployed persons are skilled workers.

Both entities passed updated labor laws in 2016. The new labor laws are critical to modernizing the BiH labor code, a system inherited from former Yugoslavia that is rigid, outdated, and unfriendly to businesses. Concrete implementation has yet to be seen but should reduce the cost of employment and ease of hiring and firing for private companies and the public sector. The laws should also decrease or eliminate costly benefits that are out of line with European standards and streamline hiring and firing. Reforming the labor laws in BiH has been a long and challenging process that the governments avoided for years. The passage of the new labor laws represents an important first step toward economic reform that will modernize the BiH labor market and bring it closer to EU standards.

## **DFC and Other Investment Insurance Programs**

DFC (formerly OPIC) concluded an investment incentive agreement with BiH in 1996. DFC has no activities in BiH at the moment, but is open to providing insurance for investors against political risk; coverage of losses due to expropriation of assets, political violence, and currency inconvertibility; and insurance coverage for contracting, exporting, licensing and leasing transactions.

Political risk insurance is also available from the EU Investment Guarantee Trust for BiH, administered by the Multilateral Investment Guarantee Agency, a World Bank affiliate.

## Foreign Direct Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2018	\$19.06 billion	2018	\$18.2 billion	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI (\$M USD, stock positions)	2019	\$250 million (estimate)	N/A	N/A	N/A
FDI in the United States (\$M USD, stock positions)	N/A	N/A	N/A	N/A	
Total inbound stock of FDI as % GDP (\$M USD, stock positions)	N/A	N/A	N/A	N/A	

Table 3: Sources of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	Amount	100%	Total Outward	Amount	100%
Austria	\$1,61 bn	19.2%	N/A	N/A	N/A
Croatia	\$1.42 bn	16.7%	N/A	N/A	N/A
Serbia	\$1.41 bn	16.7%	N/A	N/A	N/A
Slovenia	\$628 mn	7.5%	N/A	N/A	N/A
Netherlands	\$520 mn	6.2%	N/A	N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

According to the BiH Central Bank, FDI in BiH in the first nine months of 2019 amounted to \$505 million. In 2018, total FDI in BiH was \$458 million. The all-time high for FDI was \$2.1 billion in 2007. Most investments in 2014-2019 came from Croatia, Austria, Russia, Serbia, The Netherlands, UAE, and the United Kingdom.

*Table 4: Sources of Portfolio Investment*

There is no data available from the IMF's Coordinated Portfolio Investment Survey regarding sources of Portfolio Investment in BiH.

**Contact for More Information**

United States Embassy Sarajevo  
Economic/Commercial Section  
Robert C. Frasure 1  
71000 Sarajevo  
Bosnia and Herzegovina  
tel. +387-33-704-000  
fax. +387-33-659-722  
email: [sarajevocommercialservice@state.gov](mailto:sarajevocommercialservice@state.gov)  
website: <https://ba.usembassy.gov/business/>

## **Political Environment**

For background information on the political and economic environment of the country, please click on the [U.S. Bilateral Relations Fact Sheets](#).